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CHINA

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JOURNAL DISCUSSES INFLATION IN CHINA

HK301140 Beijing JINGJIXUE ZHOUBAO in Chinese 14 Jun 87 p 2

[Article by Wang Zhuo (3769 3820): "How to take up the challenge of inflation"]

[Text] The period since the 3d Plenary Session of the 11th CPC Central Committee is the best period since the founding of the state, in which China's economy has been most vigorously developed, China's national strength is unprecedentedly powerful, and the people have gained greatest benefits. Of course, in the excellent situation we should also face up to the problems that have emerged in the course of development. One of these problems is that our development and reform are faced with the challenge of inflation. At present, we must identify inflation and analyze it.

1. We Must Recognize That Our Development and Reform Are Faced With the Challenge of Inflation

Although we cannot put an equal sign between inflation and price increases, we must admit that the former is a main factor for the latter. Therefore, it is reasonable for people to judge inflation by the increase in prices. The general retail price index rose by 17.7 percent from 1978 to 1984, but in 1985 it rose by 8.8 percent over 1984. In large cities with a population over 1 million, there was a double-digit increase in the price index. As for the prices of some daily necessities of the people, such as food and nonstaple food, they were increased by a bigger margin. The masses of people have lots of complaints about this. Therefore, we should admit that our development and reform are faced with the challenge of inflation.

2. Excessive Distribution by the Government Is the Main Cause of Inflation

Excessive distribution by the government leads to the growth of demand; the growth of demand leads to extraneous issuance of money; and the extraneous issuance of money naturally leads to devaluation of the currency. The excessive distribution, extra issuance, and devaluation are "three links in a chain." Where can we find the root of the "three rings?" I think it lies in the ultra high speed of development. The ultrahigh speed of development resulted in excessive distribution, and was sometimes supported by the latter. In the past I also used the term of excessive distribution of the national income. When it is used to refer to the planning on excessive distribution of the national income, it is all right, but when it is used to

refer to the reality, it will become meaningless. Because how can we excessively distribute the limited national income of the whole society in reality? Therefore, when we use this term today, we refer to the fact that the government has distributed more than its financial strength can really support and has then devalued the currency by means of extraeconomic issuance of money. In essence, this means having the consumers bear the burden of this excessive distribution.

3. The Main Cause for the Government's Excessive Distribution Is the Trend of "Being Overanxious for Quick Results" in Making Macroeconomic Policy Decisions

Why does the government want to distribute more than its financial strength can really support? The problem is that the principle of acting according to one's real capability has been violated. As a result of competition in the speed of development, and as a result of "being overanxious for quick results" in making macroeconomic policy decisions at various levels, both accumulation and consumption have been increased, going beyond the financial strength of the government and the capacity of the national strength. Both deficits and inflation are the outcome of the trend of "being overanxious for quick results" in making macroeconomic policy decisions.

4. Development at "Superhigh Speed" Cannot Be Realized by Excessive Distribution

The government's excessive distribution is supported by the extraeconomic issuance of money. The extraeconomic issuance of money can promote short-term economic growth. However, such short-term economic growth may bring about two contradictions containing the economic growth as a whole: 1) Once the method of filling the gap that results from the excessive distribution by the government by means of devaluation of the currency goes beyond the bearing capacity of the masses, the situation of stability and unity will be affected; 2) the short-term development at ultrahigh speed will inevitably aggravate disproportion in structure and, as a result, energy, communications, and international revenue and expenditure, which are called the "bottle-necks," will contain the normal development of economy. Thus, as the saying goes, more haste, less speed, when the contradictions are sharpened, even the ordinary speed cannot be maintained, not to mention the ultrahigh speed. We can find examples of this not only in China but also in the capitalist countries and other socialist countries.

5. The Main Danger Hidden in Inflation

The essence of inflation is the devaluation of the currency, which is expressed by the devaluation of the money in hand and on deposit and by the increase of prices. If the price increase does not go beyond the bearing capacity of the residents, there will be no trouble at all. However, there are two factors for price increases: the devaluation of the currency and the price reform. Under the old system, since there was no mechanism for self-restraint in demand, the phenomenon of growth of the demand for investment existed for a long time in our country. Thus, an administrative measure was

adopted to basically freeze commodity prices, putting the actually existing inflation under restraint. Now the price control system for some commodities has been initially relaxed and the prices of some commodities have been readjusted, bringing about a dangerous situation of "chain price increase," making the originally restrained inflation become apparent. Of course, the main danger is that this may bring out and push forward the phenomenon of "prices taking turns to increase."

We should adopt reasonable countermeasures to curb inflation. Provided we adopt reasonable countermeasures, it is not difficult to curb inflation. In this connection, I would like to put forward these suggestions.

1. To Plug the Holes of Excessive Distribution by the Government in the Financial and Monetary Systems

How does excessive distribution come about?

First, we must reform the existing financial system and readjust the structure of financial expenditure. 1) It is necessary to stipulate again that financial deficits can only be made up by issuing state bonds and should never be made up by obtaining overdrafts from the central bank or by expanding the issuance of extraeconomic money. 2) Since the proportion of capitation in the national expenditure structure is too big, constructive finance has become supply-oriented finance; moreover, there is a trend of prematurity in the group consumption of government organs. Thus, the central authorities must make up their minds to streamline organization and cut down expenses. 3) According to the principle of separating power from the responsibility for handling concrete affairs, the central and local financial organs should adopt a compound financial system, each being responsible for the balance of its revenue and expenditure, so that the phenomenon of indiscriminate transfer of funds can be overcome.

Second, we must reform the existing monetary system. 1) It is necessary to stipulate again that when the central bank wants to issue more money, the matter should be submitted to the "people's congress" for examination and approval, just like the state's financial budget. 2) The funds obtained after the issuance of money should be first reserved as special funds for credit purposes before they are allocated as credit funds with approval of the "people's congress." 3) Under the condition that the issuance of money is controlled, the scale of credit of professional banks can be relaxed. The professional banks can control the scale of loans all by themselves in accordance with the principles of linking credit with deposit and assuming sole responsibility for the balance of funds. To sum up, the system of relaxing the scale of credit and placing strict control over the issuance of money is a flexible control system.

2. To Carefully Study the Strategies for China's Reform

At present, there are two strategies for us to choose. First, the strategy of "making a breakthrough in the middle so as to bring along both ends." The

so-called "making a breakthrough in the middle" means to make a breakthrough in the reform of the market mechanism with emphasis on reform of the price system so as to bring along the reforms at both macroeconomic and microeconomic levels. Practice shows that where there is no new macroeconomic regulation mechanism to restrain the swelling of demand, readjusting prices or relaxing prices will inevitably bring about "chain price increases," resulting from the increase of costs. Judging from the current situation, the strategy for the price reform, which is confined to the reform of prices alone and which is aimed at reforming market mechanism, is not a suitable and applicable strategy.

I am in favor of the strategy of "making a breakthrough at both ends so as to bring along the middle." "making a breakthrough at both ends" means making a breakthrough in reforms at both macroeconomic levels; and "bringing along the middle" means bringing along the reform of the market mechanism, with the emphasis on price reform.

Microeconomic reform will help to establish a system of state enterprises assuming sole responsibility for profits and losses, with a purpose of invigorating the enterprises. Only when the state enterprises are really turned into commodity producers can the production mechanism of these enterprises be really established. Once this mechanism is established, the economic results and social supply will surely be increased.

Macroeconomic reform will help establish a macroeconomic regulation system, under which various levels will have a mechanism for self-restraint in demand. Thus, the growth of demand for both investment and consumption will be effectively controlled.

When a breakthrough is made at both ends, supply will be increased and demand will be controlled. Therefore, this strategy will naturally bring about a basic balance between general demand and general supply and a relatively relaxed economic environment. Thus, a relatively relaxed economic environment will be created for reform of the market mechanism, that is, for relaxing the prices of the means of production and funds. By adopting this strategy, inflation will certainly be curbed and an excellent situation of stable prices, harmonious economy, and social stability will certainly be created. Moreover, there will be a guarantee for the long term and steady development of the national economy.

3. Both Development and Reform Need a Healthy Ideological Environment

Apart from a relaxed economic environment, development and reform also need a healthy ideological environment, and this is more important. To create a healthy ideological environment, it is necessary to adhere to Marxism-Leninism and to develop it as well; it is necessary to adhere to the four cardinal principles and the policy of reform, opening up, and invigoration; and it is necessary to emancipate the mind and to seek truth from facts rather than only have faith in books and in the higher authorities or, as it should be particularly noticed today, only have faith in the "West." We should learn the good things from the West, but must bear in mind the historical lessons of

our predecessors who had blind faith in the West. On the question of development and reform, how do we create a healthy ideological environment? In this connection I have the following suggestions.

1) On the question of development, it is correct to put forth the theory of compressing overheated atmosphere, but it is still necessary to make continuous efforts to eliminate the "leftist" ideological influence in economic work, which is characterized by being overanxious for quick results to the neglect of the real national strength. In matters concerning the speed and scope of economic development, it is necessary to continue to resolutely eliminate the "leftist" ideological influence and, at the same time, to promote democratization and scientism in making macroeconomic policy decisions, making it a strict system to follow.

2) On the monetary question, it is necessary to resolutely eliminate the ideological trend which regards inflation as nothing harmful and the trend of promoting economic growth by means of making demand swell. Keynesianism can only be applied under the condition that demand is greatly insufficient. According to this doctrine, the method of expanding financial demand is used within a certain period of time to regulate the contradiction of supply exceeding demand and to stimulate economic growth by means of swelling. However, under the condition that demand has already increased, if we continue to mechanically copy Keynesianism, we can only hinder the economic growth. This has also been proved by the practice of Western countries. If we mechanically copy Keynes's theory and promote economic growth by means of making demand swell, in other words, if we promote economic growth by means of inflation, we will naturally push prices to increase. Thus, the initiative of the masses will be dampened and the order of economic development will be disturbed. Therefore, this is a senseless method.

3) On the financial question, it is necessary to make continuous efforts to overcome the ideological trend which holds that financial deficits are good things. In our country some people hold that deficits are good things. Their reason is that without deficits we could not have the good situation of today. The current excellent situation is the result of implementing the party's line, policies, and principles mapped out since the 3d Plenary Session of the 11th CPC Central Committee. How can we attribute this to the financial deficits? Under specific conditions, state credit can be developed and some government bonds can be issued in socialist countries. This is called lagging financial deficit. If the principle of voluntary purchase is implemented and the principal and interest can be paid back in good time, the issuance of government bonds can be regarded as a necessary temporary measure. However, it is harmful if a gap of had deficit is thus created in the state's annual revenue and expenditure, which has to be filled by issuing money. This method is even rejected by Western countries.

Of course, there are also some important political principles for creating the ideological environment. Due to the limited space of this article, they will be discussed later in another article.

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CSO: 4006/749

GU XIULIAN ADDRESSES JIANGSU ECONOMIC FORUM

OW211034 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 17 Jun 87

[Text] A 4-day forum on opening Suzhou, Wuxi, and Changzhou to the outside world ended in Zhangjiatang City on 16 June. Responsible comrades of Suzhou, Wuxi, and Changzhou Cities, as well as of the 12 counties under their jurisdiction, attended the forum. Governor Gu Xiulian spoke at the forum.

She pointed out: At present it is necessary to strengthen our sense of export and organize forces in the three major sectors--agriculture, state and collective industries, and village and town enterprises-- to develop exports and greatly increase our export earnings in the next 2 years.

She asked the leadership in Suzhou, Wuxi, and Changzhou Cities to be prudent yet enlightened and to try to open their cities to the outside world while developing an open domestic economy. She asked them to promote economic integration in the Suzhou-Wuxi-Changzhou Economic Zone and to increase its export capacity, in order to make it an export center as soon as possible.

Zhang Xuwu, vice governor, and Wang Bingshi, vice chairman of the Jiangsu Provincial People's Congress Standing Committee, also addressed the forum.

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CSO: 4006/786

GANSU PROVINCE'S ECONOMIC, AGRICULTURAL ACHIEVEMENTS NOTED

HK241008 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 23 Jun 87

[First of series of reports on Gansu Province's economic structural reform: "Steady Increase in Industrial and Agricultural Output, Gradual Improvements in the Living Standards of Both the Urban and Rural People"]

[Excerpt:] In judging between success and failure of our reform, the most important criterion is to see whether our reform has promoted the development of productive forces. The past 8 years' reform has enabled our province to have steady increase in the industrial and agricultural output. In 1986, the province's total industrial and agricultural output value reached 17.38 billion yuan, an increase of 80.3 percent as compared with 1978. Of this, agricultural output value increased by 95.2 percent and industrial output value increased by 67.2 percent. The province's total grain output last year reached 5.6 billion kg, thus topping the highest level in history.

The province's financial revenue in 1986 achieved a net increase of over 700 million yuan over 1982 levels.

Judging from the people's living standards and also allowing for price rises, we can see that the per-capita net income of peasants in 1986 reached 277 yuan, an increase of 85 percent over 1980, and the average wages among the urban workers and staff members in 1986 reached 1,483 yuan, an increase of 65.5 percent over 1980.

The province's per-capita housing area has reached 7.2 square meters, thus achieving a level that is higher than the average national level.

Over the past 6 years, the province has on the average found jobs for 107,000 people awaiting employment every year.

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CSO: 4006/786

GANSU REPORTS ON CHANGES IN ECONOMIC PATTERNS

HK250323 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 24 Jun 87

[Second in Series on Gansu's Economic Structural Reform: "Profound Changes Are Taking Place in the Economic Operating Mechanism"]

[Excerpts] Changes are taking place in the economic pattern, and the province has initially changed the highly-concentrated product economy, whose main component was mandatory planning, which prevailed for a long time. The rural areas have instituted the contract responsibility system with payment linked to output, and the urban areas are rapidly switching to planned commodity economy. The scope and proportion of mandatory planning is declining each year, while the scope and proportions of guidance planning and regulation by market mechanism are expanding.

By 1986, output value of enterprises under whole-people ownership accounted for 89 percent of total industrial output value, compared with 93 percent in 1978, while the proportion of output value of enterprises under collective ownership rose from 7 percent to 10.4 percent. Individual and other economy has also shown great development after being non-existent previously.

Changes have taken place in the production structure. Reforms have further harmonized the proportional relationship between agriculture, light industry, and heavy industry in the province, and tertiary industry is rapidly developing. The pace of the switch of the agricultural labor force to non-agricultural occupations has speeded up.

Modes of operation have changed. A variety of contracted management responsibility systems highlighted by the separation of ownership and operating powers is being instituted in the province's industrial enterprises.

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CSO: 4006/786

COMMENTATOR'S ARTICLE ON REFORM IN GUANGDONG

HK300346 Guangzhou NANFANG RIBAO in Chinese 20 Jun 87 pp 1, 3

[Commentator's article "Grasp the Nature and Quicken the Pace of Reform"]

[Text] In the past 5 or 6 months, under unified arrangements by the party central authorities, the struggle against bourgeois liberalization in our province has been unfolding healthily and penetratingly. In this struggle we are persistently grasping well the link of positive education. In light of the practical situation party members and cadres of the whole province have studied the two books, "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Building Socialism with Chinese Characteristics." Their understanding of the two fundamental points of the line formulated at the 3d Plenary Session of the 11th CPC Central Committee has been furthered. They have a clearer understanding of the harm done by bourgeois liberalization and have firmer resolution and more confidence in upholding the reform and the open policy in the province. The province has become more stable. Positive momentum is developing with the continuous steady advancement of the national economy.

Our present tasks are to penetratingly, persistently, and healthily carry on the anti-bourgeois liberalization struggle on the one hand, and adhere to and quicken the reform and the open policy of the province on the other. To quicken the pace of the province's reform and open policy it is important to have an accurate and comprehensive understanding of the relationship of the dialectical unity of upholding the four cardinal principles and the implementation of the reform and open policy through the integration of theory and practice and to have a clear understanding of the nature of the ongoing reform. At present, not too many people oppose the reform publicly. However, some comrades do not have an accurate and all-round understanding of the reform policies and guidelines and that generates doubt and apprehension. They are working hard on the reform but do not feel at ease deep in their hearts. For example, some cadres think that the household contract responsibility system with payment linked to agricultural output "has destroyed the collective economy" and that the development of the commodity economy in rural areas is a capitalist practice. Others think that the enterprise contract and leasing system for operations is to promote "private ownership." Still others interpret the allowing of certain regions and individuals to get rich first as "the polarization of the rich and the poor," and so on. An important reason why doubt and apprehension are generated is the lack of understanding of the fundamental characteristics of the initial

stage of socialism. People attach "paupers' transition," "egalitarianism," "eating from the big race pot," and so on, to the principles of socialism, to elevate understanding and unify ideology while deepening the anti-bourgeois liberalization struggle we must conscientiously study and profoundly grasp comrade Deng Xiaoping's ideology on reform to further understand the socialist nature of the reform.

The implementation of reform and the open policy in our province in the last 8 years has shown that the ongoing reform and the open policy are totally in accord with socialist principles and upholding the socialist direction. The implementation of the household contract responsibility system with payment linked to output has straightened out the relationship between the peasants and the collectives. At the same time, the reform of the circulation system and the vigorous development of the commodity economy and town and township enterprises have mobilized the enthusiasm of the broad masses of peasants. In the cities the implementation of diversified economic compositions and operational modes, the expansion of decisionmaking power in enterprises, and the promotion of different forms of contracted systems of operations and leasing of many state-owned trades, industries, and enterprises, have stimulated the vitality of enterprises. Urban reform has boosted greater total production value in society. On the basis of production development the income of urban inhabitants has increased considerably. At the same time, centering on economic construction, our province has also achieved satisfactory results in the reform of the technology and educational systems as well as the reform of the superstructure, such as in the ideological and cultural fields. Generally speaking, after 8 years of reform and open policy, the vast area of southern Guangdong has become lively and prosperous.

The great accomplishments in the implementation of reform and open policy in our province during the past 8 years have explicitly shown that only through reform can we develop productivity, improve people's living standards, and build socialism with Chinese characteristics. Let us think for one moment. If there were no reform and open policy and construction were to follow the rigid economic system practiced before the 3d Plenary Session of the 11th CPC Central Committee, could we have attained the accomplishments we have attained today? Certainly not. It was mentioned earlier in this article that some comrades are doubtful and apprehensive of the reform because they have not grasped the nature of the reform through the integration of theory and practice. They regard the reform, which is socialist in nature, as capitalist. We all know the fundamental characteristics of the socialist economic system. The first one is the collective ownership of the means of production and the second one is the principle of distribution according to work. We can only weigh and judge the nature of an economic system on the basis of these two principles and not on the conventional patterns and models, and we cannot attach nonsocialist fundamental characteristics to the principles of socialism. Let us take rural areas as an example. Rural areas used to practice "the commune system of ownership at three levels with production teams as their foundation" and promote "the people's communes which are large in size and collective in nature." This practice cannot cope with the objective demands of our present rural productivity level. As a result, it hampered the enthusiasm of the broad masses of peasants and hindered the rapid development of the rural economy.

After implementing the household contract responsibility system with payment linked to output, the major means of production, such as land, are still collectively owned; they are only contracted to different peasants for operation. This is only a change in the pattern of collective economic operations, not a change in ownership. After the implementation of the household contract responsibility system with payment linked to output, the reform of the state quota and purchasing system, and the reform of a series of economic systems, the peasants have become independent commodity producers and their enthusiasm has been mobilized. Productivity in rural areas has developed enormously. The collective economy has been strengthened, not destroyed, or weakened. Action is stronger than words. Rural reform has attained world-renowned success. This has proved that rural reform is socialist in nature.

Are reform and the open policy short-term or long-term? This is an important question which people are concerned about. Some comrades think that the household contract responsibility system with payment linked to output, the enterprise contract and leasing system for operations, the development of the individual economy, private-owned enterprises, Sino-foreign joint ventures, wholly foreign-owned enterprises, and so on, are expedient and short-term policies and once the economy has developed, these policies will be changed. Some peasants are worried about whether the party will change the present policy implemented in the rural areas. With this way of thinking the peasants are not resolved and confident enough to uphold and quicken the reform and the open policy. Sometimes their confidence is even shaken. The major reason why this thought pattern has been generated is that our country is still in the initial stage of socialism, productivity is lagging behind, and understanding is insufficient. Poverty does not represent socialism. Improving the backward productivity in our country will require a long period of hard struggle. Therefore, we must uphold the reform and the open policy, pressing on persistently and refraining from giving up half way. Comrade Deng Xiaoping pointed out: "To invigorate the domestic economy and open up to the world economically are not short-term policies, but are long-term ones which will not be changed for at least 50 to 70 years." Comrade Deng Xiaoping reiterated: "If the open policy is to remain unchanged in the first 50 years of the next century, then in the latter 50 years of the next century the policy will all the more remain unchanged since by then we will have more economic ties with the world and greater interdependence and more inseparable ties between ourselves and other countries." Our productive power will not reach the level of countries with intermediate development until the middle of the next century, that means 50 to 70 years from now. But even then we still will not have reached the level of the developed countries. For this reason, our policies of invigorating the domestic economy and opening up to the world will not change. Even if there is change it will be to invigorate and open up more. Otherwise, people will object. We must fully understand the protracted and arduous nature of the reform and the open policy before we can penetratingly and persistently carry them out.

In implementing the reform and the open policy we must consciously uphold the direction of socialism. That means we must adhere to the two basic principles of upholding collective ownership as the dominant factor and taking the road to common prosperity. The purpose of the reform is to develop productivity, to demonstrate the advantages of socialism, and to satisfy the growing demand of the material and cultural needs of the people. We can definitely reach our goal if we adhere to the four cardinal principles, oppose bourgeois liberalization, and uphold and quicken the reform and the open policy.

HEILONGJIANG MARKS ANNIVERSARY OF ECONOMIC CONTRACT LAW

SK250624 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 24 Jun 87

[Text] On the afternoon of 24 June, the provincial People's Congress Standing Committee and the provincial People's Government jointly held a forum in the Beijing Building of Harbin City to mark the fifth anniversary of the enforcement of the PRC's economic contract law.

According to incomplete statistics, over the past 5 years the province has witnessed more than 18.19 million economic contracts of various kinds, worth more than 100 billion yuan. The rate of honoring the contracts has increased from 80 percent prior to 1981 to more than 90 percent at present. Economic contract law arbitration committees at all levels throughout the province have played an increasingly important role in deepening the drive to conduct reforms in the economic systems, safeguarding social economic order, and protecting the legal rights and interest of the parties concerned.

At the forum Lu Guang, vice chairman of the provincial People's Congress Standing Committee, delivered a speech in which he stated. All in all, over the past 5 years our province has gained effective experience in economic management from the practice of implementing the economic contract law and setting up a mass managerial network over economic contracts, which is worthy to be used or popularized by various localities.

At the forum, the Aoheng machine parts plant, the Daquin City Material Supply Bureau, and the Harbin brewery delivered reports on introducing their experiences gained in implementing the contract law and upgrading their managerial standards over economic contracts.

Attending the forum were He Shoulun, vice chairman of the provincial People's Congress Standing Committee; Jing Bowen, vice governor of the province; and responsible comrades from provincial-level departments and bureaus.

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CSO: 4006/786

HEILONGJIANG'S PAST, FUTURE DEVELOPMENT PROFILED

SK261240 Harbin HEILONGJIANG RIBAO in Chinese 12 Jun 87 p 3

[From the preface written by Comrade Sun Weiben, secretary of the Heilongjiang Provincial Party Committee, entitled "Today the Swan Is Vigorously Flying," to the book entitled "The World of Longjiang," one of the book series to introduce the general situation of the provinces, municipalities, and autonomous regions throughout the nation]

[Text] In the territory of the PRC, Heilongjiang Province looks like a swan that is going to fly by flapping its wings. Thus, the people call Heilongjiang the province of the swan.

Heilongjiang is one of the richest and the most populous areas in China. With the vast expanse of the Songnen plain and with the fertile Sanjiang and Humi plains, where the air is heavy with the aroma of the paddy fields, the Great Northern Wilderness of yesterday has become a granary. Heilongjiang Province has become one of the nation's important commodity grain production bases. With more than 80 large and medium-sized enterprises which are contending for brightness and beauty as "glittering stars" on both sides of Songhua Jiang, including Fulaerji heavy machinery plant, "a state treasure"; 3 large power plants in Harbin, "the cradle of power"; Dongbei light alloy plant, "the mother of the silver eagle"; an electric meter plant, "the eyes of industry"; bearing plants that are playing "the song of the revolution"; Jiamusi reaper integrated plant; and the Jixi gas engine plant, a beautiful picture scroll with machine industry enterprises has been formed. Sanmen and Liujia gorges and Gezhou Dam are products with the graceful bearing of Heilongjiang. The man-made satellites that are travelling through space, large ocean-going ships, planes that are silver eagles braving the wind and a sea of clouds, vehicles running quickly through the open countries, and "the Iron Cattle" are products with beautiful images of Heilongjiang. Heilongjiang Province, with an industrial structure where machine industry is placed in a prominent position and equal consideration is given to light and heavy industries, has become a state key industrial base with abundant foundation. With concentrated mineral ores, plentiful coal beds, and various kinds of quality minerals, the areas in the eastern part of Heilongjiang are homes of "black gold." The province's coking coal reserves account for 70 percent of the total in northeast China. Following such old bases as Hegang, Shuangyashan, and Jixi, the province developed Qitaihe coalfield. The precious "black gold" is sparkling and generating heat for the development

of socialism. The province has become one of the nation's 10 coal production bases. Saertu grasslands, once only wastelands where cattle and sheep were a rare sight, have become not only nationwide, matchless "alkali grasslands of Longjiang" but also world-famous grasslands with rich petroleum resources. Daqing, which arose from the wasteland, has become world renowned petroleum city. The arising of Daqing has put an end to the history of lacking petroleum, which the Chinese people bitterly hated. Its arising has dredged the "blood vessel" of China's economic development. In the 26 years since Daqing oilfield was established, it has produced 790 million tons of crude oil for the state. Although its annual crude oil accounts for more than 50 percent of the nation's total, it is not satisfied with its current results. Daqing oilfield is striving to change its production structure from export of raw materials to processing of new materials. Following the completion of an integrated petrochemical works, the first-stage of a 300,000-ton ethylene project has been put into operation. This will give great impetus to the rapid development of China's light and textile industries. With 16.72 million hectares of forests, the five mountain ranges of Da Hinggan Ling, Xiao Hinggan Ling, Zhangguangcailing, Laoyeling, and Wandashan are the largest forest areas and the largest timber production bases in China. The areas occupy first place in China in terms of the quality of timber, the varieties of timber, the amount of timber reserves, the forest coverage rate, and the timber production. Over the past 30 years or so, these areas have produced more than 300 million cubic meters of timber according to plans and have occupied first place in China in terms of their timber commodity rate. This has made great contributions to the socialist construction.

Despite the great development over the past 30 years or so, Heilongjiang Province is, after all, one of the areas in the country where development is comparatively late. Therefore, its adaptability to industrial and agricultural production is comparatively low compared with the developed provinces and cities. In the development and utilization of natural resources in particular, although we have paid attention to the processing and conversion of natural resources in recent years and have changed the superiority of natural resources into economic superiority, the situation characterized by "original" has not been completely changed, thus restricting its national economic development. To make Heilongjiang Province invigorated and prosperous are the common aspirations of the 33 million people in Heilongjiang. In order to enable this swan of Heilongjiang, which is crouching on the frontier of the motherland, getting ready to soar, our Heilongjiang Provincial Party Committee and the provincial government have analyzed the domestic and international economic development trend and characteristics and have formulated strategic countermeasures for future economic and social development in line with the province's actual situation.

Develop Natural Resources and Strengthen the Pillar of Production

Based on the principle of persisting in development and utilization simultaneously, stressing both development and protection, and giving equal attention to development and reproduction, we should continue to strengthen modernization construction in five major bases, including the agricultural, light industrial, forestry, energy and chemical industrial, and heavy industrial bases; rationally

develop and utilize the traditional natural resources of coal, timber, and oil; actively develop the ground and underground natural resources in the mountainous areas; and pay particular attention to expediting the developing of gold, medicinal herbs, berry, fur, graphite, marble, and other special local products. We should also actively develop water and thermal power resources and change the unitary development of traditional natural resources into multilayered and comprehensive development. Meanwhile, we should attach prime importance to carrying out precision and intensive processing of natural resources and change the production of "clumsy, large, black, and roughly-made products" into "profitable" ones. With the establishment of an economy which can create beneficial results as our aim, and with the precision and intensive processing of the traditional natural resources of coal, timber, and oil, and of farm and animal by-products as well as brand-name and special local products as our emphasis, we should develop the processing industry which produces products that are competitive in the markets, consolidate and improve the existing machinery processing industry which produces products that are competitive in the markets, consolidate and improve the existing machinery processing industry, vigorously adopt advanced technology, and increase the production of brand-name and quality products. We should intensify our capacity to earn foreign exchange and gradually expand the petrochemical, power, machinery, textile, timber utilization, building materials, and food industries which serve as the mainstay. During the Seventh 5-Year Plan period, we should focus our attention on international and domestic markets and increase material and technological input in the four major series of products such as dairy products, chemical fiber, flax, and plastics. We should improve and upgrade them in order to turn them into four major competitive products and to accelerate the conversion of natural resources into commodities.

Promote Integrated Development Between the Urban and Rural Areas With Support From Cities

The development of the commodity economy helps to converge the urban and rural economy and cement even closer ties between them. This requires our efforts to further display the multifunctional role of cities. We should persist in the principle of focusing our work on Harbin, Qiqihar, Mundanjiang, and Jiamusi while also simultaneously developing the cities of oil, coal, and timber as well as border cities and gradually form closely related economic centers and regional economy of different layers and with diversified characteristics. We should form several comprehensively developed economic areas with large and medium-sized cities as the center, display the role of urban enterprise groups, link up urban and rural markets, and promote the rational flow of the essential production factors in order to stimulate coordinated economic development in the province. Cities in charge of comprehensive economic work should further improve their function, enhance their attraction and radiation, and make themselves not only become political centers and industrial production bases but also trading, banking, communications, information, scientific, and educational centers of different layers. We should give priority to developing the knowledge- and technology-intensive industries and the tertiary industry, should improve production technologies and raise the modernization level, and should gradually change the domestic-oriented industries to the export-oriented industries. Forest, mining, and oil zones should strive to build themselves into economic

zones in which diversified industries develop comprehensively, with the stress on one industry. These zones should also strive to develop major and sideline industries simultaneously and pay equal attention to economic and social development in order to form a benign cycle in economic activities. We should empathically engage in the comprehensive development of industry, commerce, transportation, and service trade; gradually establish the substitute industries; give priority to developing "close relative" industry and comprehensive utilization; and actively develop the building materials industry and the production of consumer goods. The border cities and counties should build some attractive developmental economic zones and give priority to developing water and land communication lines in border and mountain areas through comprehensive measures in line with the principle of making the border areas and their people prosperous in order to strengthen the attraction of the border areas. We should develop three-dimensional ecological agriculture by promoting the countryside with cities, should flourish the small-area rural economy, and should establish a large-scale agricultural network with various goals and high efficiency. We should also strive to stabilize and increase grain output and energetically develop the town and township enterprises, animal husbandry, and forestry.

Focusing on the deep processing of agricultural sideline products and being oriented to supporting the urban economy, the county and township industrial enterprises should fully develop superior products with their own characteristics and organize themselves into medium-sized or small enterprise groups which are full of vitality. We should spread the traditional industries and technologies to various counties and townships in a planned manner, establish a number of key enterprises which are armed with these traditional industries and technologies, and strengthen the "flood creation" function of the county-level financial departments so that these key enterprises will become the most basic economic centers and play an important role in invigorating the urban and rural economy.

Exploit the Superiority of Large and Medium-sized Enterprises and Allow Flexibility in Developing Small and Collectively Owned Enterprises.

State-owned large and medium-sized enterprises are the major bearer of local financial revenues and are the economic lifelines. The collectively owned small enterprises constitute a weak link of the province's economic development. There are some 14,000 collectively owned small enterprises in the province, which account for 97.7 percent of all industrial enterprises. However, these enterprises are weak in quality, technology, and competitiveness, which leads to a poor economic efficiency. Therefore, we must invigorate large and medium-sized enterprises, exploit the "leading" role of the larger enterprises; give impetus to the development of the collectively owned small enterprise groups; and support these groups in the fields of technological transformation, equipment renewal, intellectual development, and talent training under the network of cooperation among large, medium-sized and small enterprises. This will promote the rapid development of small and collectively owned enterprises and the upgrade of products.

Depend on Science and Technology to Accelerate Technological Transformation and Intellectual Development

Advanced science and technology are the lifeblood of the national economic development. Therefore, we should place the focus on scientific and technological

work on the development, import, and popularization of the applied technologies. We should constantly improve our ability to arm and renovate the traditional industries with advanced science and technology, accelerate the technological updating and upgrading and the technological transformation of old enterprises, and speed up the digestion, application, and recreation of imported technologies.

In terms of agriculture, we should actively popularize the applied technology. We should not only cultivate a system of breeding high-yield and fine-variety crops which are suitable for the localities, but should also apply high-grade technologies such as computers and bio-engineering to industrial and agricultural production. We should raise the proportion of scientific and technological progress in total economic growth.

Man is the foundation for economic invigoration. Modernized management with a competitive posture and with a leading foresight is aimed at competitive posture and with a leading foresight is aimed at comprehensively upgrading the quality of the age. In order to improve laborers' scientific knowledge and technical skills, we must vigorously develop education and must ensure a sustained and stable increase in the investment in education and science. During the foreseeable future, we should strengthen the consolidation and development of primary and middle schools and should carry out the 9-year compulsory education. Only when the elementary education is well grasped can the target for cultivating useful skilled persons for the state be realized.

Conduct Cooperation With the Places South of the Province and Open to the Places North of the Province

The trend of China's economic development shows that the state is going to carry out the policy of promoting economic development gradually from the coastal areas to the inland areas. Coastal areas plan to rely on imported advanced technologies to develop newly arising industries, including technology-intensive industry and industries with new technologies as their main content, while some capital-intensive industries are concentrated in raw material production areas. The more the coastal areas open to the outside places, the greater their influential power will be and the more they will need to conduct cooperation with the inland areas; particularly, raw material production bases. With exceptionally abundant natural resources, Heilongjiang Province should make the most of such advantages, should use its raw materials and superior products to exchange more capital and technologies, should strive to transform old bases and develop processing industries, and should further improve its advantages of commodity development to enhance its economic strength.

In order to develop Heilongjiang and make it flourish, we should open the door of Heilongjiang wide to the whole nation and to the world; should open various channels to develop economic and technological cooperation; should bring in what we need and export what should be exported; should broaden the foresight of economic development from the whole nation to the whole world; and should use the resources at home and abroad to open both domestic and

international markets. We should master the two skills of organizing domestic economic construction and conducting external economic activities and should learn from and adopt others' strong points. We should open the province's gate to the outside world. That is, we should open the door of cities in order to develop production cooperation between urban and rural areas; the door of mountains in order to conduct coordinated forestry-agriculture and forestry-industry development and management; the door of the province to conduct cooperation and coordination with other provinces and the Northeast China Economic Zone; and the door of the nation to develop foreign trade, particularly, to develop local trades with the Soviet Union and East European countries and to develop economic and technological cooperation in many fields.

The emphasis of development of cooperation between various places throughout the province should be shifted from cooperation in production, processing, and marketing fields to cooperation of such production factors as manpower, financial resources, and materials. The development of cooperation with other provinces and foreign countries should be focused on bringing in capital, technologies, and advanced equipment. Of course, we should further perfect preferential policies, improve their investment environment, and upgrade our capability to absorb foreign capital and bring in advanced technologies.

The aforementioned strategic countermeasures are of significant in turning the province's economic orientation into a production results-, intensive-, and export-oriented economy and in turning the province's advantages of having natural resources and good products into advantages of commodities.

Through recommending the friends of various circles at home and abroad the book entitled "The World of Longjiang," which introduces Heilongjiang's general situation, I, on behalf of the people in Heilongjiang Province, talk about our aspirations. Based on the principles of equality and mutual benefits, Heilongjiang Province is willing to extensively conduct exchange and cooperation in the economic, technological, scientific, and cultural fields with brotherly provinces, municipalities, autonomous regions and various countries regions in this world. We welcome and give preferential treatment to those who make investment in Heilongjiang and those who establish wholly foreign-owned enterprises and conduct cooperative operation in the province.

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CSO: 4006/786

HUBEI MEETING URGES MORE EFFORT IN PRODUCTION ECONOMY DRIVE

HK180305 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 17 Jun 87

[Excerpts] The provincial government held a telephone conference yesterday evening on the province's double increase and double economy drive. Governor Guo Zhenqian pointed out that this drive has now entered a new stage of developing in depth. The leaders at all levels must grasp the overall situation, provide appropriate guidance, and promote the deepening of the drive. Vice Governor Wang Libin presided at the meeting.

Guo Zhenqian said: After overcoming spring cold waves, the province has reaped a better summer grain and oil harvest than expected. The sowing plans for autumn-harvested crops have been fulfilled relatively well. The cotton sown area has revived to some extent from its decline. Total industrial output value of the province from January to May was 14.4 percent up on the same period last year, while financial revenue rose by 8.14 percent and financial expenditures dropped by 2.94 percent.

Guo Zhenqian said: Although the province has achieved a certain degree of success in the double increase and double economy drive, we must certainly not overestimate this. This drive is now in the process of development, and there are two possibilities in this development: 1) We genuinely act according to the demands of the CPC Central Committee and State Council and the provincial party committee and government by achieving increased output and economy. 2) We go no further than issuing general calls, do the work in a superficial way, and are unable to meet the predicted goals. We must do our work well and translate the first of these possibilities into reality. We must also take steps to eliminate the second possibility.

Guo Zhenqian said: We must realize that the progress of this drive is uneven between different areas, departments, and units. There are also certain untouched corners. Some places and departments regard double increase and double economy as an expedient. Certain units have failed to launch the movement at all and are still indulging in extravagance and waste and giving banquets and presenting gifts. The fundamental reason for these problems is that a few comrades lack sufficient understanding of the importance of the movement.

Guo Zhenqian said: To translate the goals and tasks of the double increase and double economy drive into reality, it is necessary to deepen enterprise

reforms, make a success of the contracted management responsibility system and other forms of management responsibility systems, and perfect the enterprises' internal operational mechanism. We should realize that Hubei has been too slow, not too fast, in promoting the contracted management responsibility system and other forms of management responsibility systems. Too few, not too many, enterprises have instituted the contracted management responsibility system. I hope that in accordance with the demands of the central and provincial party committees, all areas and departments will strengthen leadership and get a thoroughly good grasp of this work, so as to fully tap the tremendous potentials in the enterprise.

Guo Zhenqian said: We must continue to cut down the swelling scale of investment and non-productive expenditure and control the growth of consumption funds. We must seriously take stock of projects under construction in accordance with the principle of three guarantees and three reductions. We must resolutely curb bad tendencies of indiscriminately imposing fees and charges and hiking prices. We must get a good grasp of production safety, to ensure the smooth progress of the double increase and double economy drive.

Guo Zhenqian said in conclusion: We must eliminate slackness and do a good job in current flood precautions.

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CSO: 4006/786

SHANDONG PROVINCE'S URBAN, RURAL CONSTRUCTION GAINS

SK250327 Jinan Shandong Provincial Service in Mandarin 2200 GMT 24 Jun 87

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, our province has rapidly developed urban and rural construction. From 1979 to 1986, the province as a whole invested 890 million yuan in urban capital construction, which was 6.85 times the figure of the 10 years before the Third Plenary Session. The changes in the housing conditions of the province's urban and rural residents are drawing people's attention. Over the past 8 years, our province has constructed 28.14 million square meters of urban housing, which is 1.2 times the newly constructed housing areas for the 29 years between 1950 and 1978. The average per-capita housing space rose from 3.7 square meters in 1978 to the present 6.9 square meters. A total of 9.23 million peasant households throughout the province have built new houses.

In urban and rural construction, our province has also paid attention to strengthening the supporting projects of the infrastructure. The province's daily water supply capacity in urban areas increased from 1.04 million tons in 1978 to the present 1.67 million tons. During the year of drought, our province has basically guaranteed the minimum needs of water for production and daily life. More than 1,222,000 persons, or more than 33.4 percent of the population, have used liquefied gas. So far, more than 9,800 villages, and some 1,030 market towns throughout the province have tap water supply, benefiting 10.16 million people. This accounts for 14.4 percent of the province's total rural populations. About 71 percent of villages and 97 market towns throughout the province have power supply.

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CSO: 4006/786

XIBEI XINXI DAOBAO ON XIAN ECONOMIC CONDITIONS

HK290525 Xian XIBEI XINXI DAOBAO in Chinese No 132, 15 Jun 87 p 1

[Report by Wen Ruiying (2429 3843 4134): "Why Do Profits Fall As Production Rises?"]

[Text] The People's Bank in Xian City recently conducted an investigation into 45 key industrial enterprises. When we compare the economic conditions in the 1st quarter of this year with those in the corresponding period last year, it is found that industrial output value rose by 12.5 percent, sales income by 11.83 percent, and bank credit for circulating funds by 52.87 percent, but the realized profit decreased by 14.4 percent, and the profit rate on costs dropped from 12.74 percent to 9.46 percent. The investigation results indicates that production and sales in enterprises rose simultaneously while the effective use of capital and economic results dropped notably. The major causes for the above phenomenon are analyzed as follows:

1. The prices of raw materials and other expenses have increased by a big margin, exceeding what the enterprises can afford. Costs rose generally in this way. Because of the rise in prices of raw materials, the cost increased by 10 million yuan or so in the Xian Electrical Manufacturing Company. The cost of bicycles manufactured by the Xian Bicycle Factory rose by 12 percent per unit. The Xian Dongfang Machinery Factory received 26 documents increasing its expenses last year, and its expenses rose by 5.31 million yuan for the whole year. Economic results have been greatly affected, and the loss in the 1st quarter was 1.23 million yuan.

2. Capital in reserve and tied up in finished products increased continuously in enterprises. The capital in reserve and tied in finished products in the 45 enterprises during the 1st quarter rose by 7.6 and 26.1 percent respectively over that in the corresponding period last year. The major reasons accounting for such a condition are as follows: In the first place, since the prices of raw materials rose continuously, enterprises would purchase raw materials in large quantities whenever they found them suitable for their use. As a result, reserve funds increased by a big margin. In the second place enterprises neither paid attention to the changes in the market, nor adjusted the production volume and structure. Products became unmarketable, and accumulation occurred. In the third place, the management departments of enterprises still took growth of output value as the sole indicator for assessing enterprises. In order to achieve the output value, enterprises had to turn out products which did not yield high economic results but were comparatively high in output value.

3. Deferred payments for goods between enterprises have shown a continued increase. By taking into account both the credit and debit balances, we will find that the credit of the 45 enterprises in the 1st quarter totalled 187.09 million yuan, a growth of 123.8 percent over the corresponding period last year.

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CSO: 4006/786

XINJIANG MEETING DISCUSSES ECONOMIC TASKS

HK300207 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 29 Jun 87

[Excerpts] The regional party committee and government convened a meeting of responsible comrades of prefectures, cities, departments and bureaus today, which demanded that all localities and departments speed up the pace of reform, launch in depth the double increase and double economy drive, get a good grasp of production and construction in the second half of the year, and strive to fulfill all the economic tasks for the year.

(Duan Zhengping), director of the regional economics commission, reported on the situation in industry and communications from January to May. Tomur Dawamat made a speech. He said: The region's current political and economic situation is very good. The localities and departments should make still greater efforts to grasp the work in the second half of the year and ensure a bumper harvest in agriculture and animal husbandry. In particular, we must get a good grasp of the double increase and double economy drive and of deepening enterprise reforms. These are two major tasks.

Tomur Dawamat said: The work of instituting the contracted management responsibility system has only just started in the region. All localities must further emancipate their minds and be bold in practice. We must actively create conditions for the vigorous popularization of this system, which should be instituted in more medium and large enterprises in the second half of the year. At the same time, in view of the large number of small enterprises in the region, we should get a good grasp of leased management in such enterprises.

Song Hanliang spoke at the conclusion of the meeting. He stressed that adhering to the four cardinal principles and carrying out reforms, opening up, and invigoration are the two basic points in the line of the 3d Plenary Session of the 11th CPC Central Committee. The two are as close as lips and teeth and both are indispensable. Leaders at all levels must consistently grasp these two basic points without laying undue stress on one at the expense of the other.

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HUNAN HOSTS CENTRAL-SOUTH ECONOMIC COOPERATION MEETING

HK210311 Changsha Hunan Provincial Service in Mandarin 0000 GMT 21 Jun 87

[Excerpts] At the third economic and technological cooperation meeting of four provinces, one autonomous region, and two cities in Central-South China, which opened in Changsha yesterday, Hubei Vice Governor Duan Yongkang, the chairman of the previous meeting, announced that gratifying progress has been made in developing lateral economic ties in the region, and new breakthroughs have been made in cooperation between different trades.

Hunan Vice Governor Yu Haichao and Provincial Government Secretary General (Wu Huiyun) gave views on further developing lateral ties in the region. They said: In establishing ties, we must work hard to do practical work and achieve practical results. Through this meeting, on the basis of mutual benefit and requirement, we should organize some more enterprise consortia or groups spanning different provinces and cities. Some practical work should be done in the digestion and absorption of imported technology and equipment by these combines. We should establish still more stable cooperation relations in exploiting resources and developing the production of raw materials in short supply. We should also step up the exchange of science and technology information.

The meeting is being attended by responsible party and government comrades from Hubei, Henan, Guangdong, Guangxi, Wuhan, and Guangzhou Duan Yongkang, Hu Tiyan, Liu Weining, Liang Chengye, Zhang Xuetao), and (Cao Zhenwei). Provincial Party Committee Secretary Mao Zhiyong and Governor Xiong Qingquan met all the participants.

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CSO: 4006/786

QINGHAI SOCIAL GROUPS INCREASE PURCHASING POWER

HK220507 Xining Qinghai Provincial Service in Mandarin 0430 GMT 22 Jun 87

[Excerpts] The purchasing power of social groups in Qinghai fell in the past 2 years, but has shown a new rise this year. According to data from the provincial Statistics Bureau, their purchasing power in the first 5 months of this year rose by 8.8 percent compared with the same period last year. There was marked increase in public spending on medical treatment and medical apparatus, which rose by 59.8 percent compared with the same period last year.

In mid-June, vice governor Gabulong summoned responsible persons of departments concerned, including the leadership group for controlling the purchasing power of social groups, and the provincial Financial and Commercial Departments and Statistics Bureau, to analyze the causes for the increased purchasing power of social groups. Gabulong demanded that the financial, banking, commercial and other departments closely coordinate their efforts to bar the way and grasp controlling purchasing power as an important content of the double increase and double economy drive.

In view of current problems of loss of control in the province's commercial departments. Gabulong pointed out that units that implement the purchase control policy should be commended, while those units and individuals that do not act according to the policy should be criticized and educated. They should be fined if necessary. In the future, any unit granting exemptions and indiscriminately spending money will be held responsible for it.

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CSO: 4006/786

SHAANXI PROGRESSES IN URBAN ECONOMIC STRUCTURAL REFORMS

HK190741 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 17 Jun 87

[Text] Through efforts made by all quarters to promote our province's urban economic structural reforms aimed at reinvigorating enterprises, improvements in varying degrees have been made in the external conditions and internal mechanisms of our enterprises, thus increasing our enterprises' vitality and promoting the whole province's economic development. The major manifestations of this are: first, the supply and marketing rights enjoyed by our enterprises have been enlarged. The total number of industrial products demanded by the provincial mandatory plan has been reduced from 230 types to 34 types, constituting an 86 percent reduction. The total number of products within the category of state-monopolized distribution has been reduced from 256 types to 22 types, thus expanding the role played by the market mechanism as well as the direct transactions between producers and consumers.

Second, our enterprises' property rights have been expanded. through the replacement of profits by taxes, the state-operated enterprises' profit-retention rate jumped from the pre-1979's 5 percent of the total profits earned to 1986's 34.2 percent of the total profits earned. In 1986, the depreciation funds at the disposal of the province's industrial enterprises under ownership by the whole people increased by 87 percent as compared with 1979.

Third, the internal distribution rights and personnel management rights of our enterprise have been expanded. With the establishment and perfection of multiform economic responsibility systems within our enterprises, the sizes of accounting units have been reduced and a large number of enterprises have implemented multiform distribution systems, thus expanding the pay and distribution scales for workers and staff members and increasing the economic benefits. According to statistics, the per-capita revenue and tax turned over to the state in 1986 increased by 17.45 percent over 1985.

Fourth, the leadership system has been reformed. By the end of 1986, one-third of the province's industrial enterprises under ownership by the whole people had implemented the factory director responsibility system. Some had also implemented the system of factory director taking responsibility for achieving fixed goals during his term of office and the auditing system to check the factory director's performance when the director's contract expires, thus strengthening the enterprise command system for production and management

and greatly enhancing the enterprise sense of commodity production, the enterprise management level, and the enterprise capacity for making policy decisions.

Fifth, there has been a quick development of horizontal economic combined operations. According to statistics, our province now has a total of 765 combinations, with the participation of over 1,300 enterprises and an inflow of funds totaling about 570 million yuan, thus quickening the pace of transforming scientific research achievements into commodity production.

Sixth, the forms of ownership and the patterns of management have evolved new setups. Of the province's total industrial output value, the portions created by the enterprises under ownership by the whole people has come down while the portion created by the enterprises under collective ownership has gone up. Of the total volume of retail sales, there has been a distinct increase in the portion created by units that are not under ownership by the whole people. Of these units that are not under ownership by the whole people, the total number of individual commercial operators increased from 0.7 percent to 9.9 percent. The economic structural reforms within our enterprises have promoted the whole province's economic development. Over the past few years, the output value, revenues, and taxes, and all-personnel labor productivity created by the province's industrial enterprises under ownership by the whole people have increased at an average rate of over 6 percent a year.

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BRIEFS

GUANGDONG INDUSTRIAL PRODUCTION INCREASES--There was a good trend in the province's industrial production in the first 5 months of this year. Industrial production increased in an all-round way in all cities, prefectures, and trades; and heavy and light industries developed in a coordinated way. The province's industrial output value in the first 5 months of this year reached some 22.5 billion yuan, an increase of 25.5 percent over the same period last year. The rate of increase ranks among the best in the country. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 17 Jun 87 HK] /12232

BEIJING FAMILY INCOME INCREASES--Last year, the average per-capita monthly income of residents in the municipality reached 89 yuan, quadrupling that of 30 years ago. According to statistics released in 1986, about three-fifths of the residents had an average per-capita monthly income of 70 yuan or more and about one-third of the residents had an average per-capita income of more than 100 yuan. Price readjustment has slightly affected the livelihood of some residents. However, the people's living standards have universally improved. In 1955, the average per-capita family income of residents in the municipality was 18 yuan. During the 1960's about three-fourths of the residents had an average per-capita family income of less than 30 yuan for living expenses. In 1978, nearly 50 percent of the residents in Tianjin had an average per-capita monthly family income of around 30 yuan. [Text] [Beijing BEIJING RIBAO in Chinese 21 Jun 87 p 2 SK] /12232

ZHEJIANG CHECKING INFERIOR PRODUCTS--In the past few months, cadres of industry and commerce administrations at all levels in Zhejiang Province have checked industry and commercial enterprises, individual traders and craftsmen, and rural and urban markets for fake and inferior commodities to protect consumers' interests and maintain normal economic order in society. The fake, inferior commodities detected so far include fish powder, pesticides, cigarettes, wines, medicinal herbs, and illegally printed labels designed for famous wines. Wenzhou City has cracked 1,918 cases, including 95 which involve illegal profits of more than 1,000 yuan each. At present, the discovered cases are being handled by the authorities. Fake commodities will be destroyed, illegal profits confiscated, and the responsible persons fined. Some enterprises have been asked to correct themselves by a specific date. Serious violators have had their business licenses revoked. Those who committed crimes have been turned over to judicial organs. [By reporter Lin Nan] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0525 GMT 23 Jun 87 OW] /12232

LI PENG LAUDS REFORM AT CHANGCHUN VEHICLE PLANT

OW251045 Beijing XINHUA Domestic Service in Chinese 0644 GMT 22 Jun 87

[By RENMIN RIBAO and XINHUA reporters Li ands and Zhang Kaixin]

[Excerpts] Changchun, 22 Jun (XINHUA)--Li Peng, vice premier of the State Council, in the course of his inspection tour of Jilin Province, has made a special trip to the Changchun No. 1 Motor Vehicle Plant to conduct an inspection. He warmly lauded the plant for seriously implementing the policies of carrying out reform and opening to the outside world, displaying the indomitable spirit of waging hard struggle, and developing the new-type truck CA-141 by remodeling vehicles in the course of production. He said: The remodeling and renovation of vehicles at the Changchun No. 1 Motor Vehicle Plant through self-reliance has been a success.

Li Peng and his party arrived in Jilin Province on 17 June. They arrived at the motor vehicle plant for inspection on 19 June in the company of Gao Di, secretary of the Jilin Provincial Party Committee, and Zou Jiahua, minister in charge of the State Machine-building Industry Commission. Geng Zhaojie, director of the No. 1 Motor Vehicle Plant, briefed comrade Li Peng on the production, remodeling, and renovation of vehicles at the plant.

Li Peng and responsible persons of the motor vehicle plant jointly studied issues related to the development of a new-type sedan by the plant during the Seventh 5-Year Plan. Summing up the experience of the No. 1 Motor Vehicle Plant in vehicle remodeling and renovation, Li Peng pointed out: Vehicle remodeling and renovation at the No. 1 Motor Vehicle Plant shows that China's open and reform policies are successful and correct. In the past, the No. 1 Motor Vehicle Plant was unable to change the design of its vehicles, which remained unchanged for 30 years, primarily because it lacked vigor and the ability of self-renovation. Now, through reform, the No. 1 Motor Vehicle Plant has been invigorated and has solved the problem of obtaining funds for remodeling and renovation, and mobilized the enthusiasm of staffers and workers by implementing the responsibility system for making more profits for the state. The No. 1 Motor Vehicle Plant has set a good example and established experience for China in technological imports through vehicle remodeling and renovation. One way of importing technology is to import the whole plant; the other way is to follow the example of the No. 1 Motor Vehicle Plant by importing technology within

its capabilities, then assimilating and improving the imported technology. We do not completely rule out the import of whole plants. However, the latter process may be more effective, for it requires less investment but yields quicker results. The experience of the No. 1 Motor Vehicle Plant also proves that establishing enterprise consortiums has bright prospects. Developing lateral cooperation and establishing enterprise consortiums with large enterprises as the core enable us to develop the ability to produce whole plants, and to avoid duplication in construction and enhance the capabilities of enterprises to transform and develop themselves. Comrade Li Peng hoped that the No. 1 Motor Vehicle Plant would further upgrade the quality of its products, maintain its reputation, provide good service, and further improve the enterprise.

Huang Yicheng, vice minister in charge of the State Planning Commission; Ye Qing, vice minister in charge of the State Economic Commission; and Yang Zhenhuai, vice minister of the Ministry of Water Conservancy and Electric Power, also accompanied Li Peng during the inspection tour and offered suggestions on the issue of developing sedans by the plant.

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CSO: 4006/778

NATIONAL CONFERENCE ON ENGINEERING INDUSTRY CONVENED

HK181222 Nanning Guangxi Regional Service in Mandarin 1030 GMT 17 Jun 87

[Text] In putting forward the guiding ideology and objectives of the struggle for promoting engineering industry, a national conference on the plan for developing engineering industry in the year 2000, held from 11-15 June in Nanning, noted: The guiding ideology for the national development of engineering industry demands that we wholeheartedly serve consumers, and actively guide our enterprises to change from the extensive [cu fang] to the thrifty type, from the closed to the open type, from the imitative to the independent and developing type, from the unitary to the compound type, and from the all-around to the specialized type. This conference reviewed and summed up the PRC engineering industry's experience in production and construction over the past 30 years and more, and put the stress on studying and formulating a plan for the development of engineering industry from 1990 to 2000.

The conference noted: After conducting production and construction for over 30 years, the PRC engineering industry has been turned into an industry on a fairly large scale and with fairly great strength. However, our engineering industry has some relatively glaring problems.

For this reason, the conference put forward an outline plan for the development of our engineering industry from 1990 to 2000, which clearly defines the guiding ideology for the 10-year development of the engineering industry, the objectives of the struggle during, and the focal points and major measures for, the 10-year period. More than 11,000 engineering factories from across the nation will be brought into line with this outline plan.

Referring to the focal points of the 10-year development, the conference stressed: We must provide the needed complete sets of large-scale equipment for our energy industry, our communications and transportation services, our raw and semifinished materials industries, as well as our light and textile industries, gradually establish a modern automobile industry with an ability to develop on its own and be a competitive power on the international market; provide applicable, small, energy-saving, durable, and inexpensive mechanized or semimechanized farm tools for our agriculture; and provide highly useful large and medium-sized advanced technical equipment and installations for our agricultural farms, forestry centers, pastures, and fishing grounds.

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CSO: 4006/778

CHINA'S LARGEST RUBBER ENTERPRISE GROUP ESTABLISHED

SK260257 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 25 Jun 87

[Text] The Dongbei Rubber Enterprise Group, the largest rubber industrial cooperation group of our country, with Heilongjiang's (Hualin) Rubber Plant, the Henan Tire Plant, and the Beijing Rubber Industrial Designing Institute of the Ministry of Chemical Industry as the mainstay, was established in Mudanjiang this afternoon. The purpose for establishing the rubber enterprise group is to make the best use of collective superiority to push the technological and managerial standards, the product quality, and the actual economic benefit of the group to a leading position in the country and to the advanced level of the world.

The first group of members of the rubber enterprise group includes 19 tire and rubber product plants, scientific research units, raw materials plants, and rubber machinery and mold plants of 11 provinces, municipalities, and autonomous regions--Heilongjiang, Jilin, Liaoning, Beijing Tianjin, Ningxia, Henan, Hubei, Jiangsu, Guangdong and Yunnan--the production scales of which are comparatively larger than elsewhere in the country and which occupy a more important position. This group has substantial strength and its tire output amounts to 30 percent of the total of the country. Its annual industrial output value will reach 1.6 billion yuan and profits and taxes 470 million yuan.

The membership of the group forms a system of coordinated production of major raw materials, except for raw rubber, and rubber machinery and molds, and includes the strongest rubber scientific research, development and design units of the country, and a rubber industrial college.

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CSO: 4006/785

NEI MONGGOL REPORTS DEVELOPMENT OF WUHAI CITY

SK250326 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 24 Jun 87

[Text] Wuhai City, a strip of sandy beach only 29 years ago, has been built into a new industrial city with coal, building materials, chemical industrial, metallurgical industrial, machine-building, and power enterprises thanks to the arduous struggle and diligent labor of the people of various nationalities. In 1958 tens of thousands of construction workers from all over the region and the country gathered in the areas on both sides of Huang He here, developed the mining industry in this land of abundant resources, and carried out large-scale economic construction. They endured the hardships of field work, developed the area with a pioneering spirit, and quickly built the two cities of Wuda and Haibowan. Since 1976, when these two cities were merged and renamed as Wuhai City, the industry of the city has developed rapidly. By 1986 the city's industrial output value has reached 390 million yuan, 90.8 percent greater than in 1976, and the output of major industrial products, such as raw coal, cement, pig iron, caustic soda and calcium carbide, also showed substantial increases. With the deepening of urban economic structural reform, a large number of advanced enterprises that were highly competent and had good economic results have emerged in the city. Last year the Xizhouzishan Cement Plant hit an all-time record in its output, and the quality also reached the advanced country-wide level for that trade. So far, Wuhai City has become an important industrial base of our region. It has more than 30 large and medium-sized state industrial and mining enterprises, among which coal, building materials and chemical industrial enterprises play an important role in the region's economic construction.

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CSO: 4006/785

CHONGQING CITY'S INDUSTRY, COMMERCE OPERATE

HK241434 Beijing RENMIN RIBAO in Chinese 23 Jun 87 p 2

[Report by reporter Jiang Xia (3068 1115): "Chongqing City Develops the Overall Advantage By Carrying Out Joint Operations Between Industry And Commerce"]

[Excerpts] Chongqing City has been vigorously carrying out and perfecting joint operations between industry and commerce so as to develop the overall advantage of production and circulation, promoted the development of the local industries, and improved the product quality.

Carrying out joint operations between industry and commerce has never been plain sailing. Chongqing City started to carry out joint operations between industry and commerce in 1981. Joint operations between industry and commerce first began with enamel products, then with electric fans, textile products, sewing machines, and so on. However, because the question of distribution of interests was not properly solved, most of these joint operations between industry and commerce failed. Since 1983, the industrial and commercial departments of Chongqing City have conscientiously summed up experiences and lessons and have been making sustained efforts to push forward development of joint operations between industry and commerce and gradually perfect these joint operations in the spirit of mutual benefit, mutual understanding, and mutual accommodation. In terms of operational methods, Chongqing City has adopted such methods as carrying out independent accounting, jointly assuming responsibility for profits and losses, carrying out production according to the market needs, distributing profits after selling products, carrying out investment by buying shares, distributing profits after increasing production output, paying loans in advance, selling products through agents, and so on. As a result of the implementation of these operational methods, the form of joint operations between industry and commerce has gradually been perfected.

Joint operations between industry and commerce have brought about obvious benefits. They have not only turned the partial and local advantages of the production and circulation departments into an overall advantage but have also greatly increased the comprehensive economic results.

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CSO: 4006/778

PRC CONSTRUCTION COMPANIES DEVELOP BUSINESS

HK220006 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0841 GMT 17 Jun 87

[Text] Hong Kong, 17 Jun (Zhongguo XINWEN SHE)-- Wu Waizhong, manager of the Hong Kong branch of the China National Construction Engineering Corporation, told this reporter that business of the China-financed construction companies has developed remarkably in recent years. From the beginning of their business in Hong Kong and Macao in 1979 to the end of 1986, the China-financed construction companies contracted a total of 411 projects, involving HK\$5.32 billion.

Wu said that the outstanding achievements of the China-financed construction companies have been attained on the basis of fair competition.

To date, there are more than 10 China-financed construction companies in Hong Kong. The China Overseas Construction Company (COCC) and the Guangdong Water and Electric Company Limited, which respectively have five grade C engineering licences, are the largest of them.

From the beginning of its business 8 years ago to the end of 1986, the COCC contracted a total of 60 projects, worth HK\$2.8 billion. The total volume of the company's contracts account for 52 percent of the volume of the accumulated contracts of the China-financed construction companies.

Wu Weizhong said that the pick of the world's architects are gathered here in Hong Kong. Over the past 8 years since it started business in Hong Kong, the COCC has taken an active part in bidding as well as acquired international experience in bidding, signing contracts, and construction.

To enhance its technological strength, Wu said, the COCC has employed large numbers of qualified personnel from among the local people. Of the company's 260 managerial and technical personnel, 200 are employed from Hong Kong. The intermediate and high level technical personnel and engineers are also employed from Hong Kong.

Regarding the hearsay that the China-financed construction companies demanded lower prices at bidding, irrespective of losses, Wu Weizhong commented, to establish the reputation of the company, the principle of the COCC for bidding or contracting different kinds of projects is to gain profits rather than incur losses.

With the stress on credit and commitments, Wu said, the COCC will enter into fair competition with Hong Kong and other overseas construction companies, never benefit itself at the expense of others, and develop friendly cooperation with other construction companies in Hong Kong.

In cooperation with the West German B & B Construction Company, Wu said, the COCC has submitted a tender for a Tianshuiwei development project in Yuenlong, Hong Kong. They have entered the final round of bidding. Regarding some other large construction projects in Hong Kong, the COCC is also willing to submit tenders in cooperation with other construction companies so that each can demonstrate its own strong points.

The COCC has not received any preferential treatment in Hong Kong, Wu said. The rates of its loans obtained from the Bank of China group are the same as those for other Hong Kong companies. Most of the rolled steel and raw materials used by the company are imported or obtained from Hong Kong because it is much more convenient to purchase these materials from Hong Kong than to transport them from the mainland. Moreover, there is a short supply of rolled steel in the mainland.

Wu said that the company will continue to put the stress of its business on construction. However, the company will also develop real estate and trade businesses. Since the development of its real estate business in 1984, the company has completed two major housing development projects involving HK\$330 million. It is estimated that the company will continue to invest HK\$3.2 million from 1986 to 1987 in six small and medium size real estate projects.

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CSO: 4006/778

HEBEI RIBAO REPORTS ON KEY CONSTRUCTION PROJECTS

SK260547 Shijiazhuang HEBEI RIBAO in Chiense 12 Jun 87 p 1

[Text] Recently the provincial Planning and Economic Commission, Construction Commission, and the General Office of the Key Construction Project Leading Group jointly issued a plan for the first group of key projects to be built according to a rational schedule and the projects to be put into operation this year. According to state decision, our province will undertake 10 key projects, of which 8--the Kailuan mining area, the Doube, Shangan, and Shalingzi power plants, Qinhuangdao Port, the Tangshan rolling stock plant, Tangshan Iron and Steel Company, and the Tangshan soda plant--will be built in our province: and two projects--the Huabei oilfield, and the Datong-Qinhuangdao railway--will be build both in our province and other provinces. The Shalingzi power plant and the Tangshan Iron and Steel Company are projects newly added this year.

The key construction projects decided by our province are the Xingtai power plant, Chengde Iron and Steel Company, the float glass production line of the Yaohua glass plant in Qinhuangdao, Shijiazhuang Railway Station, Shijiazhuang key telecommunications building, and construction of schools of higher learning.

The state requires that six large and medium-sized capital construction projects be put into full operation and four be put into initial operation within this year. They are the Qianjiaying pits of Kailun Mining Area, Fangezhuang pits, the fourth-phase project of Double power plant, the Xiahuayuan power plant, the Baoding thermal power plant, the Fengrun power plant, Bingding wharf of Qinhuangdao Port, crude oil exploitation of Huabei Oilfield, the Chengde Iron and Steel Company, and the Xishimen iron ore of Handan Mining Administrative Bureau.

There are two characteristics in the key projects to be undertaken or completed and put into operation this year. The first is the large increasing the annual planned investment. [as received] The annual planned investment in state key projects (excluding transregional projects) and the provincial key projects is more than 50 percent over last year's planned investment in key projects. The second is the increase in the number of projects to be completed and put into operation. The large and medium-sized projects to be completed and commissioned this year according to state requirement has increased to 10 from last year's 6. For this reason, our province's tasks for construction of key projects are very heavy this year, and arduous efforts are needed.

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CSO: 4006/785

SHANGHAI, HEILONGJIANG SIGN ECONOMIC, TECHNOLOGY AGREEMENTS

Shanghai WEN HUI BAO in Chinese 16 Apr 87 p 1

[Unattributed article: "Shanghai and Heilongjiang Conclude 66 Economic and Technological Agreements; Summary of Discussions Held in Shanghai Between the Two Governments Formally Signed"]

[Text] During its visit to Shanghai, a delegation from the Heilongjiang provincial government concluded 66 agreements with Shanghai on horizontal cooperation in economics and technology. Yesterday the Heilongjiang people's government and the Shanghai people's government held signing ceremonies for the summary of discussions regarding increased horizontal economic integration. Liu Zhongli [0491 0112 5668], Vice Governor of Heilongjiang, and Xie Lijuan [6200 7787 1227], Deputy Mayor of Shanghai, participated in the formal signing.

This visit by the Heilongjiang delegation to Shanghai has been very successful. As a result of their negotiations, the two sides will establish an organization for horizontal integration and coordination and will draft regulations to protect the legal rights of enterprises participating in horizontal economic integration between the province and the municipality. In order to integrate the two more closely, they will also launch exchange and study activities between counties. Shanghai has agreed to provide support to Heilongjiang in the area of articles for everyday use and light industrial goods. Every year Heilongjiang will supply Shanghai with such raw materials as soybeans, lumber, paper pulp, alcohol, molasses, and industrial chemicals. In order to consolidate horizontal cooperation, the leaders of the two governments decided to establish stable, long-term, cooperative relations. The two will also work together in the area of border trade to fully exploit Shanghai's role as the "two sides of a fan," exporting more of Heilongjiang's commodities through the Port of Shanghai. The two sides also agreed to expand exchanges of science, technology, and skilled personnel, and to transfer the results of advanced research on a priority basis to the other side.

13322

CSO: 4006/647

ZHENG TUOBIN ON DIRECTION OF FOREIGN TRADE REFORM

Beijing GUOJI SHANGBAO in Chinese 23 Apr 87 p 1

[Unattributed article: "Reform of Foreign Trade System Aimed at Decentralization of Authority, Says Zheng Tuobin [6774 2148 1755] at Spring Trade Fair"]

[Text] Zheng Tuobin, Minister of Foreign Economic Relations and Trade, said at the Guangzhou Trade Fair that reform of the foreign trade system is headed in the direction of decentralization of authority.

Minister Zheng said that in future we must further expand the autonomy of foreign trade enterprises and decentralize operational authority over foreign trade corporations. Under these circumstances, how to strengthen management and present a unified front to the outside is a topic that must be further studied. Zheng Tuobin believes that some good work has been done in the area of management at this spring trade fair, with some new approaches being adopted. He expressed hope that efforts will continue to be made to closely integrate the expansion of exports to generate foreign exchange and improvement in economic returns so that they can develop simultaneously and move ahead together, in order to make a greater contribution to the state's increased generation of foreign exchange.

Zheng stated that the current domestic and foreign situation is highly favorable to China's expanding her exports; this is a rare opportunity for foreign trade and exports that China must not miss, as it will not come again. The State Council is paying close attention to these circumstances and has done special studies and offered incentives, solving many real difficulties, setting the stage for expanded exports, and increasing vigor. Zheng called on the trade fair to increase awareness of the situation and to seize the chance to achieve more business and exports.

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CSO: 4006/645

SHANGHAI'S SUCCESS IN REPLACING IMPORTS

Beijing GUOJI SHANGBAO in Chinese 23 Apr 87 p 1

[Article by Yao Ximin [1202 6932 2404]: "Shanghai Achieves New Breakthrough in Production to Replace Imports; Problem of Prices for Domestic Products Bought by Joint Ventures Solved"]

[Text] The more than 200 foreign-investment enterprises already approved by Shanghai must often use foreign exchange to import large quantities of raw materials, machinery and equipment, and other supplies. Can these imported goods be replaced with domestic products? The Shanghai Economic and Trade Commission, in cooperation with the concerned departments, has conducted some beneficial experiments to solve this problem, and certain results have been achieved.

The implementing provisions of the Law on Sino-Foreign Joint Ventures state: "The machinery and equipment, raw materials, fuels, accessories, modes of transport and office supplies required by joint ventures may be purchased in China or abroad at the discretion of the joint venture itself; conditions being equal, every effort shall be made to purchase same in China." However, the problem of prices has generally made it difficult to achieve this. Many of Shanghai's electromechanical products, such as color televisions, automobiles, switch cubicles, furniture, etc., are of the same quality as those produced abroad; some have made it into the international market and are competitive. However, when these products are sold to Sino-foreign joint ventures, their prices are higher than those on the international market. That is because some of the parts and raw materials for these products must be imported, and when they are marketed domestically (including sales to Sino-foreign joint ventures), customs duties must be paid, thereby raising their cost. According to regulations, however, joint ventures are entitled to exemptions from import duties when they purchase the same products from abroad, which makes their price lower. This puts domestic products at a disadvantage.

In order to allow domestic and foreign firms to compete equally starting from the same price, and to give joint ventures the same sort of import-duty exemptions on the raw materials and parts for these products when they buy domestic products, the Shanghai Economic and Trade Commission, the Shanghai Foreign Exchange Control Commission, customs and other departments, after earnestly studying the matter, drafted effective measures to solve the problem

described above: first, the producing unit asks the Foreign Exchange Control Commission for a foreign-exchange settlement for products sold domestically; if the Foreign Exchange Control Commission determines that this sale will not affect the production and export plans set by the state and the local government, it gives its approval. Then the user entitled to the import-duty exemption presents the approval document to customs for the duty exemption certificate; this certificate is then used to purchase the exempted goods from the producing or marketing unit at the international market price. The producing or marketing unit then takes the client's duty-exemption certificate to customs, which handles the drawback procedures for the import duties on these products. If more than three months have passed between the date of import of these goods and the purchase, then the supplemental drawback procedures and exchange retention may be handled when the next batch of parts is imported.

This trial approach has been well received by all parties, and approval has been given to many Sino-foreign joint ventures in the Shanghai region to purchase several dozen Santana automobiles and more than 2,000 color television sets at duty-free prices. Last year, the Shanghai Shikesibolo Co. imported two IBM PC's; apparently the Shanghai Computer Works has the same type of product, but its price is higher than the imported product. After the above approach was adopted, it was possible to substitute domestic products for the imports.

The facts show that domestic production to replace imports is beneficial on all fronts. The client is able to save on transport costs and insurance and also to avoid later worries about repair of electromechanical products; enterprises producing the import substitutes can be encouraged to continue catching up to international levels and can earn foreign exchange; and the state does not lose any customs duties this way and is also able to keep large amounts of foreign exchange from leaving the country.

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CSO: 4006/645

SICHUAN'S EXPORT PRODUCTION BASES

Chengdu SICHUAN RIBAO in Chinese 11 Apr 87 p 1

[Article by Zhou Changrong [0719 2490 2837]: "Sichuan's Export Commodity Production System Begins to Take Shape; Now More Than 100 Specialized Export Commodity Production Base Factories"]

[Text] Sichuan's export commodity production system has now begun to take shape. To date, 131 export commodity production bases and specialized factories (or shops) have been approved by the provincial government and the concerned national departments. In 1986 the province's exports generated more than \$480 million, an increase of 39.9 percent over the previous year; more than 50 percent of this came from goods supplied by the bases and specialized factories.

In order to change a resource advantage into an advantage in export commodities and increase exchange-generating capacity, the Sichuan provincial government has paid very close attention to establishing an export commodity production system. Early last year, some important responsible comrades in the provincial government directed the formulation of a provincial deployment plan for export commodity bases and specialized factories. The various prefectures, counties, and concerned departments are focusing on 30 key export commodities and treating the creation of bases as a strategic task for expanding exports, and work is proceeding rapidly.

In order to closely combine base creation and exports and ensure a long-term stable supply of goods, the base units which supply the goods and the foreign trade departments have signed supply and marketing contracts that spell out the rights and responsibilities of each side and guarantee completion of export assignments. The provincial government and the trade departments are also making enthusiastic use of foreign capital and absorbing funds and technology from the coastal cities to support the bases and specialized factories. Last year the Foreign Economic Relations and Trade Department honored its rewards policy for seven prefectures and cities that had increased their supply of goods, allocating additional turnover funds to support exports. On the foundation of this base creation, and with the Nanchong Prefecture Cotton Textile Factory as the leader, other textile, printing and dyeing and clothing factories were brought together to form a textile exporting group; at the same time, 11 key electromechanical product exporting

enterprises and enterprises with expanded foreign-trade autonomy were developed and established. These export commodity bases and specialized factories that have been established around the province have become the backbone of Sichuan's foreign-exchange generation; it is forecast that the supply of exports this year will increase by 47 percent over last year.

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CSO: 4006/645

OPEN POLICY STIMULATES FUJIAN'S ECONOMY

Fujian FUJIAN RIBAO in Chinese 1 Apr 87 p 1

[Article by Chen Naijin [7115 0035 6651]: "Open Policy Gives Fujian's Economy Tremendous Vigor; Chen Guangyi [7115 0342 3015] Speaks at Group Discussion of the National People's Congress"]

[Text] Deliberating on Premier Zhao's governmental work report, the members of the National People's Congress and Fujian Provincial Party Secretary Chen Guangyi pointed out that since implementation of the central government's special policies in 1979 the opening to the outside has given a tremendous amount of vitality and vigor to the economy of Fujian Province and has vigorously promoted development of the national economy.

Chen Guangyi stated that Fujian is determined to focus reform and decontrol on developing an export-oriented economy, both in terms of the province's economic and geographical environment and of its mission. In this regard, Fujian has done a good deal of work in recent years, and its infrastructure is beginning to take shape; however, the demands of developing foreign-investment enterprises have not been met, and it is necessary to continue building the "hard environment" of energy, transport, water supply, and communications. At the same time, attention must be paid to improving service attitudes and efficiency. The various preferential policies already promulgated by the State Council must be implemented to the letter; joint and contractual joint ventures and wholly foreign-owned enterprises must be enthusiastically assisted in solving actual problems so that they can serve as models.

Chen emphasized that we must continue protecting and developing the enthusiasm of overseas Chinese who love China and their native villages; beginning with villages of overseas Chinese, many township enterprises and enterprises with capital from overseas Chinese can be started up. The investment focus should be guided towards export-oriented projects, advanced-technology projects, and those involving import substitutes urgently needed in China. In addition to taking in direct foreign investment, we must also strive to make use of various preferential loans provided by foreign and international financial institutions, so that various types of commodity credits and commercial credit can be brought in.

Chen pointed out that increased opening to the outside and the development of international economic and technical exchanges will ultimately be determined by the increase in the capacity to export and earn foreign exchange. We must therefore fully exploit local advantages and follow international market demand in concentrating on the production, development, and export of staple, mainstay commodities. We must combine national, collective, associative and individual efforts, integrating industry, agriculture and trade, in order to operate export commodity bases and export factories. We must accelerate construction of characteristically Fukienese industrial export production systems based on light industry and textiles, and of agricultural export production systems based on aquatic products and fruits. We must vigorously develop processing and assembly, organize the export of nongovernmental labor services, and further expand export channels.

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CSO: 4006/645

DEVELOPMENT OF INLAND EXPORT BASES

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 1, Jan 1987 pp 1-7

[Article by Han Shilong [7281 0013 7127], Foreign Trade Department, Sichuan University, "On the Necessity for and Possibility of Establishing an Export Production System in China's Inland Province's and Regions"]

[Text] Whether there is a need for and whether the conditions exist for the establishment in China's vast inland provinces and regions of a distinctive export production system founded on export commodity bases and special factories during the Seventh 5-Year Plan, while making full use of the advantages that coastal areas enjoy, is a major topic for study of concern at the present time to the country's economics and trade front, and particularly to theoretical and practical workers in inland provinces and regions concerned with foreign economics and trade. The writer maintains that though the foundation for and level of economic development of inland provinces differs very greatly, there being the rather economically developed central area, the economically undeveloped western region, and the economically backward border regions that present a varied structure, generally speaking, it is extremely necessary and also possible to build and to steadily improve an export production system. The primary reasons are as follows:

I. Conceptually, the establishment of export commodity bases and the gradual perfection of an export production system is a new task that both coastal and inland areas face in common and is a new way of solving problems under the new domestic and foreign economic conditions of the Seventh 5-Year Plan. It is generally known that a profound historical transformation occurred in China's economy during the Sixth 5-Year Plan period in that economic and social development began to turn strategically from one-sided pursuit of industrial output value and an increase in output to attention to the coordination of agriculture, light industry, and heavy industry and to the all-round development of economics, science and technology, education, culture, and society. The economic system began to change from the old methods of overcontrol and stifling regulation to the new methods of planned development of a commodity economy filled with life and based on public ownership. Foreign economic relations began to shift from a closed and semi-closed economy to an open economy that used two sources of capital, opened two kinds of markets, participated actively in an international division of labor and conducted

international exchanges. Thanks to a series of major strategic changes, the country's economy scored unprecedented new achievements. In the foreign trade field alone, China's import-export trade totaled \$230 billion during the Sixth 5-Year Plan, double that of the Fifth 5-Year Plan. During the early 1980's, despite an economic crisis in the capitalist world and a shrinking of international trade, not only did China's export trade not decline but rather continued to grow.

The building of the country's economy will enter a new era during the Seventh 5-Year Plan in that the economic system will enter a key period of change from old models to new models with a very great rise in commercial trade and technical exchanges, particularly in the key position and role of export trade. The extent to which China and international markets will become linked and the breadth and depth of China's opening to the outside world will be determined by exports, particularly commodity exports. How much can be imported will be decided by how much is exported; only when much is exported can much be imported. Consequently, exports to create foreign exchange along with an increase in economic results from enterprises will become two crucial factors in the building of China's economy during the Seventh 5-Year Plan. In terms of present and future trends of development, China's foreign trade faces both pervasive and systematic reform of the economic system and a fine situation of further opening to the outside world, and China also faces a series of difficulties in its domestic economy, particularly in sources of goods for export, as well as conflicts with the world economy and extremely intense and complex challenges and competition in international markets. The main difficulties and conflicts in exports are as follows:

1. Inadequate supplies of export goods: Because the development of production is unable to keep up with increased domestic consumption demand, domestic commodity supply cannot keep up with domestic demand and the same goods are competed for domestically and for foreign trade purposes.

2. The backwardness of production techniques and management shows up in the inability of export goods to meet demands of the international market in terms of quality, varieties, grades, designs, sizes, colors, and packaging.
3. The existence of different domestic and foreign markets and two different price systems is reflected in disparities between domestic market prices and world market prices for imports and exports.
4. Quite a few problems still exist in the foreign trade system, and some mistakes have shown up in reform, such as speaking with more than one voice to the outside world, dislocations in macroeconomic control, decentralized operations, conflicts in centralized, unified, and coordinated dealings with the outside world, etc.

There will be seven main areas of competition and challenge for China to face internationally during the Seventh 5-Year Plan as follows: 1. The tide of a new world technological revolution as represented by a series of new techniques and new materials, such as microelectronics and biological engineering, that has taken place during the 1980's is on the rise. It influences all aspects of the world economy and international trade, and is expected to reach a new crest during the 1990's. Technology and equipment that has been in the research and experimental stage will go into production on a large scale and the makeup of commodities in international markets will

undergo major changes. 2. Rivalry between the United States and the USSR in outer space and competition in military S&T may become white hot during the late 1980's. Though American and Soviet deployment of "strategic defense of space" has sustained some setbacks recently, both parties positively will not give up on this account. Though the trend of developments shows that this competition may face mankind with a historically unprecedented calamity and may have a major effect on world S&T, particularly in giving impetus to supernational development of space, thereby hastening mankind's entry into a great age of space industrialization and commercialization. Reportedly, by the early 1990's, factories based in cosmic space will begin to produce, and product sales will reach enormous amounts. International markets of the future will not only include the land and the sea, but will also advance into the space realm and will include space navigation markets of unparalleled vastness. 3. A new tide of world protectionism in world trade is on the upsurge. Since the 1980's, Western countries have placed nontariff restrictions bearing a multitude of names on more than 900 items, and in recent years, restrictions placed by developed countries on textiles, clothing, shoes, automobiles, electrical products, steel, and iron have been more strict than formerly. Though the United States sings loudly about "free trade," and puts up a facade of "general reduction of tariffs," whenever market competition becomes intense, it adds fuel to the flames and pushes trade protectionism to a high peak. American textiles are currently "protected" by more than 300 import restrictions. Prospects are not bright for the GATT meeting that is to be convened in September 1987 for a new round of talks on the lowering of nontariff restrictions.

4. The large structural readjustments in the world economy made during the 1970's and 1980's may be said to have been a major world trend. They included not only all developed capitalist countries and developing countries, but also involved numerous socialist countries. They were not limited to readjustment of the economic structure alone, but also had a bearing on economic development strategy, foreign economic relations, international economic policies, and the international monetary and financial system. Readjustment of the economic structure also included the structure of agriculture, the structure of tertiary industries, the structure of employment, and the structure of enterprises. Faced with intense competition in international markets, the structure of imports and exports was promptly readjusted, there was constant upgrading and updating, reform of designs, colors, and varieties, and increase in economic results with the production of large amounts of export goods that met needs and that were highly competitive. This was one of the main reasons for the sustained expansion of exports by post-war Japan and newly industrialized countries and for the defeat of their opponents despite intense market competition, and it has set off a chain reaction throughout the world.

5. The increasing rise of economies in the Asian-Pacific region provides both opportunities and challenges for China. Academicians inside and outside China have held many discussions about this in recent years, and though ideas differ, there is fairly unanimous agreement that the economies of the Asian-Pacific region will be extremely lively during the 1980's, and that there will be a very great potential for development. Europe's economy, though relatively moribund, is by no means likely to become worse. Though the modern

world is developing in the direction of multiple poles and multiple centers, this does not rule out the Asian-Pacific region from developing into a new world economic center during the next century. The eastward shift is only a tendency; it will require a fairly long historical period. It is not an already existing reality. As a major country in the Asian-Pacific region, China should create conditions to become an economic center for the Asian-Pacific region and for the whole world by the end of this century or during the coming century. This requires that China's goods, currency, S&T, talented personnel, and information hold a dominant position in international markets. In the realm of international finance, fluctuations in the rate of exchange of the American dollar and the international debt crisis have hurt the economies of developing countries and caused major problems, particularly in the use of foreign capital and the earning of foreign exchange through exports.

6. Ever since major Western countries instituted floating exchange rates, changes in currency exchange rates have been dramatic. Beginning in the 1980's, the exchange value of the American dollar gradually rose, while the Japanese yen and the West German mark weakened. In September 1986, five Western countries intervened in the foreign exchange market forcing a decline in the exchange value of the American dollar and a rise in the exchange value of other currencies. Fluctuation in the exchange value of the American dollar not only hurt international financial stability, but also occasioned risks for China's development of foreign trade and the use of foreign capital. The likely trend is for fluctuations in the exchange rates of Western currencies to continue. 7. During 1986, supply continued to exceed demand in the world's petroleum markets. The Organization of Petroleum Exporting Countries took strategic actions to maintain market share, setting off a slide in petroleum prices, the price falling from the former slightly more than \$30 to approximately \$10. This had various effects on the world's economy, finance, trade, oil-producing countries and oil-consuming countries, and it may sooner or later cause a series of reactions in varying degrees on other energy prices and on primary products. Petroleum prices have become a major problem that has attracted worldwide attention. Since petroleum accounts for one-fourth of foreign exchange earnings from all of the country's exports, a sudden slide in petroleum prices affects China's export earnings in the near term. Countermeasures to be taken to deal with such a sudden change in the international markets is yet another difficulty and challenge that the country faces in its foreign commercial trade.

It is not difficult to see from the foregoing that the domestic and foreign situation China faces during the Seventh 5-Year Plan is extremely grim. Most of this series of problems are of a fairly long-term nature. They cannot be solved merely by the adoption of temporary emergency measures. For China's exports to develop in the midst of serious difficulties and conflicts and to survive in the midst of challenges and competition will require formulation of a whole body of long-range strategic decisions. 1. The new world technological revolution must provide the power for accelerating the technological transformation of enterprises. Simultaneous with the greater technological transformation of traditional export enterprises must be the steady building and development of new enterprises and new export goods, especially of a number of premium-quality hot-selling items that are able to dominate competition in international markets. 2. Efforts to bring about a change in

the makeup of exports from primary products to industrial manufactures, from roughly processed products to refined products and from low-grade products to high-grade products. 3. Continuation of pervasive and systematic reform of the foreign trade system, separation of politics and enterprises, promotion of an import-export agent system, vigorous impetus to a combination of industry and trade and of technology and trade, establishment of trade, industry and research complexes, reform of the foreign trade price system, and establishment of a rational relationship between export commodity prices and international market prices. 4. Unity in external dealings, widespread application of various economic levers, strengthening of macroeconomic controls over the import-export trade and foreign exchange, diligent implementation of a series of complete policy measures to support and reward exports, solution to conflicts between domestic and foreign sales and guaranteeing sources of supply of export goods. 5. Orientation toward all countries and regions of the world, and focused gradual pluralization of export markets. Establishment and perfection of an export sales promotion system and an export service network in constant development of international markets. 6. Establishment of a flexible, accurate and timely foreign economic and trade information and intelligence network tied to science and technology that covers coastal areas and inland provinces and regions, and that is closely linked to world international markets and financial centers. 7. Rational patterns of production with the establishment of various different types of distinctive export commodity bases and special factories in the gradual perfection of the export production system. 8. Adoption of various economic methods to buttress lateral economic links between the seacoast and inland provinces and regions.

All the foregoing strategic decisions are designed to expand exports, increase economic results from foreign trade, and increase the ability to earn foreign exchange. Of special importance among them is the establishment and perfection of the export production system, which might be said to be a new road blazed by China through the thicket of all kinds of conflicts, difficulties, competition, and challenges in foreign trade. It is both long-term capital construction for the expansion of exports to earn foreign exchange and it is also the pivot for the realization of all the foregoing strategic decisions. Realization of all of the policy decisions is not only closely related to the export production system, but is also the basis and the point of departure for it. Though there is very great unevenness in industrial foundation, technology, and managerial levels, in natural resources, transportation and communications conditions, information links, and distribution of skilled people along the seacoast and in inland provinces and regions of the country, and though these two vast areas are internally varied and greatly different, with both advantageous factors and disadvantageous conditions for development of foreign trade, both the seacoast and inland provinces and regions face the foregoing series of difficulties and challenges in expansion of exports. In order to bolster ability to earn foreign exchange through exports and increase economic results, they both have to proceed from the realities in their own area, make the most of strengths and avoid weaknesses, strengthen lateral economic ties between regions, selectively build various different kinds of export production bases, and gradually perfect the export production system. In short, as a result of its relatively solid industrial base, its relatively high technological and managerial level,

its developed commodity economy, its readily available transportation, the easy flow of information, ample capital, concentration of skilled people, its relatively good basic facilities, and its fairly widespread foreign economic links, as well as bases in being, and a certain foundation for the building of specialized factories, the coastal areas of China possess quite a few advantageous conditions for the perfection of an export production system. In inland provinces and regions, by contrast, industrial technology and managerial levels are relatively backward, transportation is not readily available, information does not circulate readily, capital is in short supply, the commodity economy is not well developed, and links to the outside world are not very widespread. The western part of China has one-third of the land area of the whole country and 40 percent of its population, but purchases of exports for foreign trade amount to only 7.7 percent of the total for the whole country, and self-generated exports amount to only 4.5 percent of the total for the whole country.

It should also be realized, however, that the inland provinces and regions of the country have potential advantages in resources, and they have real economic advantages as follows: 1. Natural resources are extremely abundant; there is a complete range of things; and reserves are large. In Sichuan alone, more than 130 different kinds of minerals have been discovered, and there are proven reserves for 78 different ones including, alum, titanium, cobalt, strontium, mirabilite, optical fluorspar, and cement limestone, all of which rank first in the entire country, and iron, manganese, nickel, mica, asbestos, and troilite, which rank second in the whole country. There are numerous kinds of animal and plant resources and water conservancy resources are extremely abundant. This is not only one of the country's three large forest regions, but it is also a nationally renowned granary. 2. As a result of more than 30 years of construction, simultaneous building of heavy industry and military industries in the inland provinces and regions has produced a number of technologically intensive industries characterized by the electronics, aviation, and space industries, which can serve as a main force for development of the economy. For example, large and medium-size enterprises and central government enterprises account for a very large percentage of Sichuan's heavy industry, and the original value of fixed assets in its machine, metallurgy, and chemical industries is third in the country.

3. Not only do the inland provinces and regions have some large enterprises and a number of traditional export products that hold a dominant position in international markets, but there are also several large key cities such as Chongqing, Chengdu, Xi'an, and Lanzhou that serve surrounding areas and can provide a multitude of services. Many provinces and regions are now gradually perfecting their production patterns and building multiple economic zones centering around large and medium-size cities. 4. Though inland provinces and regions are fairly distant from coastal ports, and though transportation is not readily available; nevertheless, as a result of long-term construction they possess a certain basis and potential for development. In Sichuan, for example, six trunk railroad lines, including the Baoji-Chengdu, Chengdu-Chongqing, Chengdu-Kunming and Sichuan-Guizhou railroads and nine branch lines have been built. There are nearly 90,000 km of highways, and more than 100 inland navigation routes, the distance open to navigation reaching more than 8,000 km. More than 20 civil aviation routes have been opened covering more

than 20,000 km. Shipping on Sichuan's rivers and the building of highways offer very great potential for development. 5. Quite a few inland provinces and regions have started to establish economic information networks and have made energetic efforts to export by themselves. They have widely strengthened external economic links, and after many years of training and tempering, an S&T force and people skilled in foreign trade have been created. Inland provinces and regions and coastal areas are currently using various channels to strengthen lateral economic links. They are striving to combine the three great advantages that the seacoast enjoys in technology, capital, and skilled personnel with the three great advantages that the inland enjoys in resources, energy, and labor forces, taking strengths from one area to remedy weaknesses in the other, thereby being able to bring about joint complete advantages with regard to the outside world. 6. Overall, inland provinces and regions lag behind coastal areas in terms of export bases and the building of special factories for the export trade; however, they are not completely without bases. Take Sichuan, for example. In the total figure for purchases of goods for export in the whole province during 1982, approximately 20 percent was export supplies from the province's own bases, from special factories, and from production enterprises under jurisdiction of its foreign trade department. Tea, goats, burley tobacco, honey, and Tianfu peanut production bases provided substantial amounts of export wares, and rabbit, summer daidai [Citrus natsudaiddai], navel orange, and apple production bases have also begun to take shape. The foregoing shows that if inland provinces and regions are to fulfill their task of producing foreign exchange through exports under new circumstances, they will have to begin with the building of export bases and special places as the foundation for an export production system. This is not only extremely necessary, but is also possible as well.

II. China's export production system must be planned in both its component parts and structural form to include multilevel, unified production and circulation systems for both the seacoast and inland provinces and regions. Its construction must be predicated on a rational pattern of production resources. It must focus on the arousal of widespread enthusiasm among enterprises for export, guaranteeing premium quality in export wares and increasing the ability of exports to earn foreign exchange. It must be oriented toward international markets, toward a combination of industry and trade, technology and trade, and agriculture and trade, as well as a linking of trade, industry, and research to establish various different kinds of distinctive export production bases and special factories as a basis. It must integrate supply, production, and marketing in a single process, making production, foreign trade, financial, and transportation departments a hub. There must be widespread application of various economic levers and the adoption of measures to provide preferential treatment as a reward for exporting as a motivating force for gradual advancement and constant readjustment of the export commodity structure to bring about the three changes with the goal of promoting as quickly as possible a rapid takeoff in the country's foreign trade. The pattern of distribution for the country as a whole shows China's export production system to be a large, unified, two-part, multilevel engineering system. It includes all major categories of export commodities from the seacoast and inland, and from the three major economic areas of the east, the middle, and the west in an organically unified system that contains agricultural and sideline products and local specialties,

natural resources products, electromechanical products, industrial manufactures used in daily life, and of primary export enterprises. The overall system is founded on major categories of export commodities from the seacoast and inland areas and from all regions. It may be further divided into various branch and subbranch systems. Though each region, each industry, each major category of goods, and each branch and subbranch system is relatively independent, they are not mutually isolated, but rather are linked together by various export production bases, special plants and workshops, some of which transcend regions, transcend industries, or are of a single or comprehensive nature. Not only do the seacoast and individual inland provinces and regions have their own strengths for economic development and mutual support, but the building of export production bases can act as hubs on which lateral economic links converge for mutual advance. The two large parts, the seacoast and inland areas, are economically interdependent.

First, the economically undeveloped western region has more than one-half of the country's land and rich natural resources. Some provinces and regions such as Sichuan have huge populations. If the abundant natural resources and manpower resources cannot be put to use, not only will the inland economy not develop, but development of the eastern seacoast economy will also be restricted. Second, in the process of reform and opening to the outside world, economic development of seacoast provinces and regions requires vast inland markets, and development of inland provinces and regions also helps the importation and absorption of capital, technology, and skilled personnel from the seacoast, thereby making each of the provinces and regions in both large parts of the country a market for each other for joint development. Finally, acceleration of the development of inland areas benefits the strategic decision to develop international markets and to conduct pluralized and omnidirectional foreign trade. Because of the diversity of needs in the international market, each region of the country has to have an immense variety of export goods of all kinds, specifications, and characteristics. The building of export production bases and special factories only in coastal areas will obviously not satisfy diverse international consumption needs that change with each passing day. In terms of both the country as a whole and of the provinces and regions in the two large parts of the country, China's export production system is multilevel. This is manifested primarily in the following ways: 1. Multilevel in terms of the division of labor for goods of different properties and types. There can be a general division into the several levels of labor-intensive, capital-intensive, technology-intensive and intellect-intensive on the basis of differences in the export production patterns in individual regions, distribution of natural resources and level of economic and technological development. 2. Administratively multilevel. A general division may be made on the basis of the different administrative ranking and level applied to an export commodity base, special plant, or special mine as central government, provincial (or municipal), prefecture, country, or district. 3. Multilevel in terms of operating methods. An overall division may be made in terms of differences in operating styles of different enterprises with regard to export goods as specializing in exports alone, or concurrently engaged in exports but primarily selling domestically, providing only a portion for export.

Coastal and inland regions can build an export production system founded on export commodity bases and special factories with different levels and different characteristics as their individual natural resources, level of industrial technology, and transportation conditions warrant. Planning of export commodity bases and systems may be done on the basis of production patterns for the country as a whole, for individual provinces and cities, and the zoning of economic regions. For example, industrial product export production bases should be based on the patterns of industry and the location of industry in each area. Agricultural and sideline products export production bases should be based on the patterns of production of agricultural and sideline products and the location of agriculture. Aggregate export bases should be based on key cities on provincial and municipal economic zones.

For example, the strategic economic development plan in Sichuan Province shows that in view of natural resources, technological and socioeconomic conditions, multilevel economic zones, each having distinctive characteristics and based on large and medium-size cities are to be built during the Seventh 5-Year Plan as part of continued emphasis on readjustment of production patterns in the Sichuan basin so that planned commodity production develops in the direction of specialization and socialization. Though the Sichuan basin amounts to only 28.4 percent of the area of the whole province, it has an overwhelming majority of the province's population, GVIAO, large and medium-size key enterprises, and transportation.

The whole province may be divided into four economic zones using the Sichuan basin as the focus and four large cities as centers. These zones are the eastern basin economic zone centering on Chongqing, the western basin economic zone centering on Chengdu, the southern basin economic zone centering on Zigong, and the Panxi economic zone centering on Dukou. These four economic zones centering on large cities can be built into aggregate export commodity production bases. Conditions are best in the eastern basin economic zone centering on Chongqing and in the western basin economic zone centering on Chengdu. Because Chongqing is the largest consolidated city in the upper reaches of the Chang Jiang, is industrially and commercially developed, has readily available transportation, and is directly connected to the seacoast via the Chang Jiang, it can be developed into the largest industrial, shipping, trade, and financial center in all of southwestern China, and can be developed as a port open to the outside world for the use of foreign capital and the introduction of technology, becoming a hub that connects the middle and lower reaches of the Chang Jiang with coastal areas and an outpost for development of southwestern China. This economic zone has advantages in having natural gas and coal as well as military ordnance, machinery, instruments, chemical, new materials, textiles and food industries. In 1983, Chongqing ranked fifth in the country in terms of industrial fixed assets and seventh in GVIO. Chongqing has sectors and enterprises for all of the 14 industrial sectors of the country, and Chongqing has 39 of the 44 different kinds of industries in the country. It also has S&T forces and managerial personnel as well as school education and training institutions that run the gamut from design, scientific R&D to production, administration, and marketing.

Then there is Chengdu. Though Chengdu is a newly developed industrial city and industrial base that developed only after founding of the People's Republic, it has become a rather complete industrial system dominated by machinery, electronics, the chemical industry, metallurgy, light industry, and textiles that includes energy, forestry, building materials, leather, and sewing industries. Its aircraft fabrication, measuring instruments and cutting tools, electronic equipment and components, medical equipment, steel, steel products, seamless tubes, automobile and tractor industries hold an important position both in southwestern China and nationally. A rather good foundation exists for intellect-intensive industries such as electronics and instruments. Chengdu has the prospect of developing into the "silicon valley," or the "gene valley" of the southwest, and as a base for the nuclear industry and the aerospace industry by using new technology to build new industries, and by taking electronics and biological engineering as a key link in vigorous transformation of traditional industries. The western Sichuan basin is also the granary of the southwest where high-quality grain, livestock and poultry, oil-bearing crops, fruit and vegetable bases may be developed. The Chengdu area is also rather advanced in terms of science and technology, education, and culture. It is still the southwest's transportation hub and center for economic information. In short, the building of aggregate export production bases for agricultural and sideline products, for local specialties, and for electromechanical products is not only very necessary, but conditions for it are already fully in being.

In addition to the economic zones centering on the four large cities, Sichuan also has a number of key cities capable of exporting distinctive, traditional agricultural, sideline, and native products that are renowned in China and abroad. These cities are Wanxian, Luzhou, Jiangjin, Fuling, Daxian, Yibin, Leshan, Neijiang, Deyang, Nanchong, Mianyang and Guanghan. These cities could be centers for the building of first-rate economic zones. They could be used for the building of either single or multiple traditional name brand product export production centers, readjusting and reinforcing the building of existing bases, on the one hand, and the vigorous fostering and development of new products, on the other, in the building of new export production bases. Finally, Sichuan Province has more than 300 small market towns that could be centers for linking together the myriad township enterprises throughout the province, for the building of more first-rate economic zones, and for the building of more single-level export production bases. If these extremely scattered and numerous small enterprises were jointly organized and conscientiously selected, ability to earn foreign exchange through exports could be further expanded. Such township enterprises should be an indispensable level in the export production system. In summary, the building of multilevel economic zones into multilevel export production zones is extremely necessary and possible both along the seacoast and in inland provinces and regions.

III. In terms of significance and function, establishment and perfection of an export production system is a major strategic policy decision for realizing the technical transformation of production by China's enterprises and for reform of the foreign trade system that both coastal areas and inland provinces and regions should consciously carry out. The writer believes that the economic concept of an export production system has the two material

components of productivity and production relationships. By productivity is meant primarily the tools, equipment, S&T conditions as well as a certain technical competence, and workers who are proficient in their work and possess the S&T knowledge to take part in the production of all export products. By production relationships is meant a relationship formed from mutual participation in export production and mutual exchange of export products by persons concerned.

The technical transformation of export enterprises' production, and reform of the foreign trade system are two major strategic decisions for improving the internal production of the nation's export production system and for readjusting production relationships. The combination of the two, together with work, form the foundation for the building of an export production system. During the Sixth 5-Year Plan, the technical transformation of production is to be made a key point in capital construction. According to statistics, the state is to invest more than 140 billion yuan in technical transformation during this plan period, more than 20 projects to be built and to go into production during the period, and more than 500 projects having an investment of 10 million yuan or more. Approximately two-thirds of the newly added gross output value of industrial enterprises will be realized from technical progress by existing enterprises as well as the reorganization of enterprises. A survey shows that each yuan invested in technical transformation can produce 2 yuan in output value. As a result of technical transformation, new products developed in the Ministry of Machine Industry system alone during the past 3 years number more than 4,000. The work of importing 3,000 items from abroad for the transformation of existing enterprises is proceeding rapidly. As of the first half of 1986, more than 3,000 foreign exchange contract transactions were concluded for technical imports under jurisdiction of the State Economic Commission at a cost of approximately \$2.9 billion.

Digestion and absorption of technical imports has also gotten off to a good start. In Shanghai, for example, results from the digestion and absorption of 246 pieces of imported technology show 70.9 percent as having already reached the international level of the 1970's, and 25.4 percent as having reached the international level of the 1980's. The technical transformation of enterprises is, first of all, the technical transformation of export enterprises, not only because these enterprises can directly strengthen market competition and earn foreign exchange through exports as a result of their technical transformation, but also because they can stimulate other nonexport enterprises. The technical transformation of export enterprises, especially inland export production bases and special factories, should concentrate on the introduction from coastal areas and from abroad of appropriate advanced technology. On the basis of experiences in Liaoning Province, 80 percent of the increase in an enterprise's exports is attributable to introduced technology. Export bases and special plants usually have fairly high technological levels and production equipment. In addition, government adopts a series of measures to provide rewards and support, which gives them a very great advantage over ordinary enterprises in the introduction of technology. The State Council pays extremely close attention to the technical transformation of enterprises that export to earn foreign exchange, focusing on enterprises that produce traditional export products and that export

electromechanical products. Plans call for the importation of 3,000 pieces of technology between 1986 and 1988. This will provide a powerful assurance to the strengthening of the ability of China's enterprises to earn foreign exchange through exports.

Industrial enterprises in inland provinces and regions are numerous, but many light and textile industries, and particularly civilian industrial enterprises, have an extremely backward production technology and technical equipment. The need for inland industrial enterprises, and particularly for industrial enterprises with the task of earning foreign exchange through exports, to carry out technical transformation during the Seventh 5-Year Plan is both urgent and arduous. Efforts have to be made to link closely together the technical transformation of export enterprises and the building of all kinds of export production bases and special factories, making the introduction of technology a salient in bolstering the building of bases. A look at the relationship between reform of the foreign trade system and the building of an export production system shows some lessons and experiences have been gained during the 5 to 6 years during which reform of the nation's foreign trade system has been underway, and that steady progress is now being made as reform moves along.

In September 1984, the State Council proposed three principles for reform of the foreign trade system, namely a separation of politics and enterprises, institution of an agent system, and a combination of industry and trade and technology and trade. Though these principles are being explored in pilot projects, successful experiences are not yet numerous. Generally, the goals are simplification and delegation of authority, enlivening of the economy, strengthening of enterprises' ability to earn foreign exchange from exports, and increasing economic results. One might say that these principles are closely related to the building of an export production system. For example, the separation of politics and enterprises enables foreign trade enterprises to become independent-accounting economic entities oriented toward international markets and responsible for their own profits and losses. The major categories of products produced by individual enterprises become economic cells in the building of production bases and special factories. Separation of politics and enterprises is to institute an import-export agent system, i.e., requiring that foreign trade enterprises provide various services and represent production units in the handling of import and export matters, foreign trade companies and export production enterprises jointly insuring fulfillment of national foreign trade plans. The agent system may be said to be an organizational form to take care of imports and exports for the export production system. The agent system also creates conditions for a combination of industry and trade and technology and trade. These two combinations are diverse in form; however, the building of different kinds of export bases and special plants, and perfecting the export production system is the best way of bringing about these two combinations. It can untangle a welter of complex relationships in all aspects of reform of the foreign trade system because an export production system has clear-cut goals, broad intension and support and encouragement etc. from all quarters.

The Seventh 5-Year Plan explicitly pointed out that the course of reform had to be held and the pace of reform had to be steady. In the immediate future, a

firm grip will have to be taken on implementation and on the various economic policies and measures associated with reform of the foreign trade system, such as genuine attention to the building of an export production system, bolstering and improving the foreign trade macroeconomic control and management system; giving attention to economic methods, such as the use of exchange rates, duties, taxes, and export credit, supplemented by needed administrative measures to lay a foundation for complete reform of the foreign trade system. Though the foreign trade system in inland provinces and regions lags behind that of the seacoast, with overall planning by the central authorities and with guidance from overall plans, it should be possible to advance in this direction.

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SHANGHAI EZ ESTABLISHES MONEY MARKET LIAISON NETWORK

Shanghai WEN HUI BAO in Chinese 13 Apr 87 p 1

[Article by Wan Jun [5502 6874]: "Shanghai EZ Money Market Liaison Network Established; Consisting of 14 Cities, All Member Banks in the EZ Starting Note Acceptance and Discounting Operations; Greater Degree of Mutual Information and Short-Term Lending"]

[Text] Bank directors from the five provinces and one municipality in the Shanghai EZ announced here in Hangzhou today the establishment of a money market liaison network for the Shanghai EZ; note acceptance and discounting operations are being started among all member banks in the Shanghai EZ.

The money market liaison network is composed of 14 cities; they are Nanjing, Wuxi, Yangzhou, Xuzhou, Hangzhou, Ningbo, Hefei, Nanchang, Jiujiang, Shangrao, Ganzhou, Fuzhou, Xiamen and Shanghai. Creation of this liaison network is intended to turn the scattered money markets into a multilevel, multidirectional, and multichannel system for coordinating information and funds, and to strengthen the People's Bank's management of money markets. Shanghai has been made the head market of this network by general consensus, and in future the member markets will regularly provide the head market with information on shortages and surpluses of funds, and the head market will provide timely feedback, taking charge of shifts of funds into and out of the zone and utilizing other methods in an effort to balance out supply and demand.

The new agreement on note acceptance and discounting states that in future the banks in the Shanghai EZ will do intercity, interprovincial, intersystem and interbank discounting. This will have a major impact on expanding horizontal lending channels and invigorating funds circulation.

Sixty-four tangible money markets have now been set up in the Shanghai EZ, and provincial, municipal, and county banks are all engaging in horizontal borrowing. In the last four months, 15 billion yuan has been lent within the EZ, making it one of the most active money markets in the country.

The banks of the five provinces and one municipality comprising the Shanghai EZ decided last October to begin note acceptance and discounting activities in the zone; as of the end of February this year, 6,571 discounting transactions had been conducted, amounting to 2.1 billion yuan.

NO DECLINE IN ZHUHAI'S FOREIGN INVESTMENT

Shanghai WEN HUI BAO in Chinese 23 Apr 87 p 2

[Unattributed article: "Zhuhai SEZ Continues as Before; Campaign Against Bourgeois Liberalization Fails to Scare Off Foreign Investors; Foreign Capital Used in First Quarter Actually Increases 80 Percent Over Same Period Last Year"]

[Text] Liang Guangda [4731 1684 1129], Zhuhai party secretary and mayor, recently told a reporter, "Our economic work here is proceeding entirely as before; we are now adopting measures in several areas to promote greater opening up of Zhuhai. The campaign against bourgeois liberalization has created a more stable investment climate in the SEZ."

Liang Guangda stated, "Zhuhai recently has been studying implementation of each of the 22 regulations issued by the Central Committee to encourage foreign investment; the rights granted by the state to investors are being conscientiously examined to ensure that they really have those rights. Beginning in March, we also called several conferences on foreign-investment enterprises in order to learn their views and to declare publicly to them that not only are we not afraid of their making money but we would like them to make that money in Zhuhai. Whenever the Chinese and foreign parties in an enterprise are not getting along, we must first examine ourselves. The investors reacted very favorably to this candor."

Liang stated that as a concrete step Zhuhai has been enthusiastically bringing in foreign investment this year. Problems besetting contracts signed several years ago are being pushed aside, and implementation is proceeding. For example, the multilayer circuit board plant, a joint venture with Canada, is a high-technology project, the agreement for which was signed in 1984; for various reasons, however, it was shelved. Following recent efforts, construction has now begun on this project. Recently ground has also been broken and agreement reached on such projects as the fiberglass plant and the high-tension cable plant.

Following negotiations with the concerned parties, Liang said, in order to promote opening and reform more effectively Zhuhai this year is preparing to invite foreign representatives in China and in Hong Kong and Macao to visit

Zhuhai and study the possibility of investing there. Zhuhai is also preparing to start some industries abroad on a trial basis.

Liang said, "Some people, including some of our comrades, are concerned that the campaign against bourgeois liberalization may scare off some Hong Kong, Macao, and foreign investors; this is not the case. The fact is that the campaign against bourgeois liberalization has created a more stable investment climate. The number of people coming from abroad and from Hong Kong and Macao to inspect Zhuhai and hold discussions has increased over last year; some are even coming in groups. The foreign capital utilized by Zhuhai has increased by 83.8 percent over the same period last year.

13322

CSO: 4006/647

BRIEFS

FIBER-OPTIC CABLE PROJECT--Construction of the Beijing railway key fiber-optic cable communications project has started comprehensively. This is the first fiber-optic cable communications system adopted by our country's railway departments. Upon completion, this will be a fiber-optic cable communications railway with the longest transmission distance and the biggest communication capacity in the country. Applying the fiber-optic cable to the railway communications signal equipment will ensure the reliability and stability of the communications signal equipment. With a total length of 60 km, and going through the Beijing, Shuangqiao, Baiziwan, Dahongmen, Fengtaixi, and Fengtai communications stations, this communications line is a subsidiary project of the Beijing-Qinhuangdao electric railway. The first section of the Electric Project Bureau under the Ministry of Railways is responsible for installing this project. It is expected that the project will be put into operation at the end of this year. [Text] [Beijing BEIJING RIBAO in Chinese 15 Jun 87 p 1 SK] /12232

CSO: 4006/785

UN-AIDED SOIL EROSION PROJECT IN SHAANXI PROGRESSES

OW192222 Beijing XINHUA in English 1404 GMT 19 Jun 87

[Text] Xian, 19 June (XINHUA)--Peasants have, in 19 months completed half their work in a 4-year soil erosion treatment project aided by the UN World Food Council in Mizhi County, Shaanxi Province, a local official said today.

According to a 1985 agreement between the council and the Chinese Ministry of Agriculture, Animal Husbandry and Fisheries, Mizhi County will cultivate 2,195 hectares of basic farmland in 4 years.

The peasants will plant 5,456 hectares of mountain slopes to grass and trees, improve 6,590 hectares of grassland and plant trees on 4,179 hectares of barren hills.

In return for the work the UN council will provide the project with 45,640 tons of wheat.

By the end of last April, local peasants had fulfilled at least 55 percent of most targets. Forty-one percent of grassland improvements had been completed, according to Liu Zhenyuan who is responsible for the project.

Located on the Loess Plateau, Mizhi County loses an average 15,000 tons of topsoil from every square kilometer each year. the plateau covers 61.9 percent of the country's landmass.

The project aims at turning the area into a livestock and apple production center and ensuring self-sufficiency in grain.

"Peasants are enthusiastic and we expect to fulfill the whole project ahead of time," Liu said.

/12232

CSO: 4040/229

PEASANTS IN NORTHEAST MANAGE FARM MACHINE SERVICES

OW170830 Beijing XINHUA in English 0758 GMT 17 Jun 87

[Text] Beijing, 17 June (XINHUA)--Contracting out land to individual households has not in any way hampered the progress of farm mechanization. On the contrary, it has stimulated a wider spread of the use of farm machines.

This point has been proved by what is happening in northeast China's Heilongjiang, Liaoning and Jilin Provinces, where there is a vast land and a high degree of farm mechanization.

About 75 percent of the tractors in Heilongjiang Province belong to local peasants who have bought them from their former production teams since the household responsibility system was introduced there in 1983.

Of the 25,000 tractors, 23.3 percent are still managed by collectives, and 1.9 percent belong to state-owned farm machine stations, a local official told XINHUA.

Since 1983, most farmland in the province has been contracted out to local peasants who earn their income mainly from what they produce in the fields.

Difficulties in mechanized farming were experienced when the fields were divided into small patches. To meet the changing situation, production teams sold most farm machines to local villagers at reduced prices.

With the development of farming, local peasants have found it even more convenient to rent machines instead of investing large sums in them. Some machine owners have formed groups to offer other villagers timely service at prices set by the government.

A group of eight peasant families in a village in Keshan county became successful at supplying farm machine services. In 1984, the brothers Wang and their relatives raised money and purchased three tractors and a combine harvester.

Apart from using them on their own contracted fields of 30 hectares, they offered services to local peasants. Their high-quality service won them trust and enabled them to earn more income.

For the past 2 years, their yearly net income was between 20,000 and 30,000 yuan, with the per capita share amounting to 900 yuan--double the average incomes in the village.

According to the official, about 17 percent of farm machinery was offered by peasant groups. And 7 percent was managed by individual households.

Peasants are now more careful handling these machines which are their own property. Some villages also rent or lease collectively-owned machines to local peasants. The peasants are responsible for all economic gains and losses and the cost of repairs, the official said.

In Heilongjiang, Liaoning and Jilin Provinces in northeast China about 70 percent of all townships have farm machine service stations which supply local peasants with diesel, parts and repair services.

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CSO: 4020/229

VIEWS ON RESTRUCTURING COOPERATIVES

OW281211 Beijing XINHUA Domestic Service in Chinese 2300 GMT 25 Jun 87

[Text] Beijing, 26 June (XINHUA)--Transmitting to all localities and departments the "Views on Deepening the Restructuring of Supply and Marketing Cooperatives"--a document prepared by the State Commission for Restructuring Economic System, the Ministry of Finance--the State Council on 18 June urged people's governments and relevant departments at all levels to implement the guidelines in accordance with the actual local situation.

The document points out: Since the 3d Plenary Session of the 11th CPC Central Committee, marked progress has been achieved in restructuring supply and marketing cooperatives, services for commodity production in rural areas have been improved, lateral economic ties have begun, unitary operating patterns have started to change, certain aspects of business management have been reformed, social benefits [she hui xiao yi 4357 2585 2400 4135] are greater, and economic returns are higher. However, supply and marketing cooperatives still cannot keep pace with the development of commodity production in the rural areas, both in terms of the scope and effectiveness of their services. Their operating ideas and modes still cannot keep pace with the ever-expanding needs in commodity exchange; self-management, and the proficiency of enterprises they operate still cannot keep pace with competition as well as the needs in opening to the outside world and invigorating the domestic economy. To keep pace with economic reform in cities and rural areas, supply and marketing cooperatives must be further restructured in light of the CPC Central committee's document "Deepening Rural Reforms."

The main points of the "Views" are:

Supply and marketing cooperatives must clearly realize that they are collectively-owned economic organizations whose real masters are their members. Thus, under the principle of cooperative members' voluntary participation, supply and marketing cooperatives should set up businesses by absorbing more share money from members or by raising funds from various sources. They should set up jointly operated businesses, or commission agents, to sell farm produce, or share the after-tax profits in accordance with quantities of farm produce they are commissioned to sell. Supply and marketing cooperatives should have the autonomy to buy and sell commodities decontrolled by the state. They should operate strictly in accordance

with cooperative regulations, and fully respect cooperative members' democratic rights in business handling, financial management, and reshuffling of leading group members. Supply and marketing cooperatives should take the situation of the whole into account, actively undertake state assignments, and make sure they are fulfilled. All local authorities should earnestly safeguard their autonomy. No department whatsoever may practice egalitarianism and transfer of take over supply and marketing cooperatives' capital (including public funds and various types of special funds); or casually appoint or transfer their personnel, or restrict their operation, or change their affiliations. All supply and marketing cooperatives should have their independent accounting system, be responsible for their own profits or losses, and pay taxes to the state. Their losses incurred by undertaking special state assignments or by major policy changes shall be borne by the grade of government that makes the decision.

Making full use of their numerous outlets in cities and rural areas, personnel, capital, facilities, and other favorable factors, supply and marketing cooperatives should gradually set up multifunctional network of commodity supply, incorporating such services as production, processing, and marketing. First of all, they should plan rationally in accordance with the local conditions within a county or city, and then engage in small-scale, specialized production of a few mainstay industrial and agricultural products. Second, they may, on the basis of voluntary participation, form specialized production associations of producers of different types of products, or establish specialized cooperatives in accordance with the organic principles for forming cooperatives. Third, they may, by means of concluding production or marketing contracts, offer such services as producing commodities, providing production expertise, storage, transportation, and processing and marketing of goods so that they can gradually combine decentralized household production with society's big market and stabilize commodity production in the rural areas. An agent system may be instituted to handle direct sale of perishable produce on the market or certain types of industrial raw materials to factories. Supply of large amounts of seasonable goods which are in demand all year round, and supply of local and special products which are produced in one place but are in demand in many places, may be handled independently or jointly. They should offer peasants the services of processing and marketing their farm produce that need to be processed.

We should support the development of town and village enterprises by providing them with information and raw and semifinished materials and marketing their products. Warehouses, transport services, and other business facilities should offer service to the public to support rural commodity production.

Supply and marketing cooperatives at all levels should actively develop multilevel lateral economic cooperation of various forms with other departments and regions, and explore various ways of circulations. First, supply and marketing cooperatives should expand the business and service of their rural agents and outlets (such as providing information and production guidance and introducing customers) and offers a comprehensive service to rural families. Second, it is necessary to break the barriers of

administrative regions, gradually set up cooperatives at the grassroots level according to economic zones to replace the grassroots cooperatives set up according to administrative zones, enhance business and service capability, and establish multipurpose markets and agricultural products wholesale markets where there are the necessary conditions. Third, grassroots cooperatives should be let run whatever business they can run. In order to let grassroots cooperatives earn more profits, county integrated supply and marketing cooperatives may enter into joint operation with them to run a business that normally requires a county integrated cooperative to run. Fourth, supply and marketing cooperatives should develop lateral economic cooperation with credit cooperatives to help develop rural commodity production. Integrated supply and marketing cooperatives at the county level and above should be economic entities organized according to a principle of voluntary association. Transregional and transdepartmental specialized enterprise associations may be set up according to a voluntary and mutual-benefit principle to handle the production and marketing of certain products which are mostly produced in certain localities. We should gradually develop wholesale markets for agricultural and sideline products in large and medium-sized cities to promote direct trade between producing zones and marketing zones. We should promote the practice of separate purchase and joint marketing and the practice of joint purchase and separate marketing for both agricultural products and industrial products.

We should take the following actions to implement the system of responsibility for enterprise management: 1) We should implement step by step according to plan the system of the chairman of the board of directors (company manager, plant director) assuming full responsibility, put into force the system under which the chairman of the board of directors (company manager, plant director), is held responsible for the attainment of certain objectives during his or her tenure and under which the performance of the enterprise is subject to supervision through auditing, and treat the leading cadres' achievements or failure in attaining the objectives as a major criterion for their evaluation, reappointment, and removal. 2) We should popularize a system of management responsibility and divide specific responsibilities among the cadres. 3) We should gradually reform the wage system of the supply and marketing cooperatives in light of their characteristics. 4) Small enterprises, service shops, repair shops, and retail stores may be leased out on a trial basis in accordance with the procedures for reforming small state-owned commercial enterprises. A grassroots enterprise may be disbanded or reorganized by the cooperative members' congress after a democratic discussion according to the constitution of the cooperative if it has incurred a loss for a long time, its assets are smaller than its liabilities, and efforts to improve its situation have failed.

A supply and marketing cooperative must formulate its constitution in accordance with the organic principle of cooperatives, uphold the system of democratic management, and delegate management power to its members. The members' congress of a supply and marketing cooperative is the highest organ of power of the supply and marketing cooperative. The board of directors and the board of supervisors must be elected by the cooperative members' congress and hold themselves responsible to it. The principal leaders of the

board of directors and the board of supervisors should not be changed rashly during their tenures. We should seriously sum up the experience of many localities in organizing the board of directors and the board of supervisors into a cooperative business management committee. The management committee should serve as a collective leading body when the cooperative members' congress is not in session. The members of the management committee must be elected by the cooperative members' congress. The management committee shall hire its chairman and let him or she assume full responsibility.

712252

CSO: 1006/381

HENAN ISSUES URGENT CIRCULAR ON PEASANTS' BURDENS

HK260247 Zehngzhou Henan Provincial Service in Mandarin 2200 GMT 25 Jun 87

[Text] The provincial party committee and government recently issued an urgent circular to all localities and departments calling for further lightening of the peasants' burdens. The circular demanded that all localities carry out an all-round check on the implementation of the CPC Central Committee and State Council 1985 circular banning indiscriminate fees and charges on the peasants, several regulations issued by the provincial party committee and government in 1986 on lightening the peasants' burdens, and the provincial government's 1985 notice on protecting the legitimate interests of specialized households and individual entrepreneurs in industry and commerce. It is essential to take decisive measures to immediately straighten out existing problems.

The circular demanded that all localities strengthen control over the use of overall fees and retained sums of money, strictly observe the financial systems, periodically publish the accounts, and ensure democratic management of finances. It is strictly forbidden to embezzle, speculate in, or misappropriate materials specifically supplied by the state to the peasants. It is strictly forbidden to impose indiscriminate charges, fees, and fines. Indiscriminate price hikes of production materials are forbidden. Prices of procured agricultural and sideline products must not be depressed or forced down.

The circular pointed out that on the question of lightening the peasant's burdens, the leaders at all levels must personally tackle the work and assign a department to be specifically responsible for it. The inspection groups and work teams for assisting poor areas that have been dispatched to the rural areas must closely cooperate with the local leaders and departments concerned, and regard lightening the peasant's burden as an important task. They must conduct serious investigation and study and solve problems in the light of local conditions.

/12232

CSO: 4006/784

JILIN PEASANTS' FIXED PRODUCTIVE ASSETS INCREASE

OW210730 Beijing XINHUA in English 0720 GMT 21 Jun 87

[Text] Changchun, 21 June (XINHUA)--In the past 3 years the average expenditure of every peasant household on fixed productive assets in Jilin Province, one of China's largest grain producers, increased by 15 percent annually.

The sample survey of 1,600 peasant households in 20 counties and cities of the province showed the average value of the fixed productive assets per peasant household in Jilin amounted to 1,380 yuan in 1986, up 7 percent over 1985 and 150 percent more than in 1983.

The official of the province said that the development of China's rural commodity economy and the upgrading of the peasants' living standard have resulted in the change. Now machines have replaced animals and hand tools in many farming operations.

To date, the value of the agricultural, forestry, animal husbandry, fisheries, industrial and transport machinery of these peasant households accounted for 40 percent of the total fixed productive assets. The value of trucks and tractors increased 200 percent over 1983.

The increase of the fixed productive assets showed that the peasants were more active in developing commodity production, the official said.

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CSO: 4020/229

HEILONGJIANG FIRE WON'T AFFECT LUMBER INDUSTRY

OW211716 Beijing XINHUA in English 1431 GMT 21 Jun 87

(Text) Harbin, 21 June (XINHUA) -- China's worst forest fire in northeast China's Heilongjiang Province will not affect the local lumbering industry, said a leading provincial official on forest administration.

The official based his conclusion on the rising timber reserves as a result of afforestation and control of cutting scales in the past few years.

"The timber reserves of the forests have increased from 1.16 billion cu in 1985 to the present 1.2 billion cu," said Huang Hanzong, head of the provincial bureau on forest administration.

Huang said, "Although the forest fire damaged four forestry bureaus, a great number of trees in the affected area are still growing and most woods can still be used."

The province boasts 48 forestry bureaus administering a total area of 19.6 million hectares. They provide the state with 15 million cu of timber a year.

The official said that starting from 1978, the province began to control the felling speed and conducted a large-scale afforestation drive. In the past 9 years, it has built nurseries covering 91,000 hectares, afforested 1 million hectares and planted trees on 3.3 million hectares of barren hills. To date, nearly, one-third of newly planted trees have grown up.

/120000

CSO: 4020/220

JIANGSU RECLAIMED LAND PRODUCES GRAIN, COTTON

OW250925 Beijing XINHUA in English 0624 GMT 25 Jun 87

[Text] Nanjing, 25 June (XINHUA)--Reclaimed land along the coast of Jiangsu Province is now a grain and cotton production base and a center for export goods.

"The reclaimed land is suitable for the cultivation of crops, forage and fruit trees, and for raising seafood, like eels and clams," a local official said.

Since 1950, local residents have reclaimed 400,000 hectares from the sea and built 16 state farms and 8 salterns. The reclaimed fields can produce up to 700 tons of grain and 70 tons of cotton a year.

Jianggang on the outskirts of Nantong built 9 seafood processing plants which manufacture 20 kinds of canned seafood and raise pelt-producing martens. Exports in these industries topped 6 million U.S. dollars last year.

Prawns raised in the coastal waters of lianyungang are popular on the international market.

The 130,000 hectares of reclaimed land opened for export-oriented production earned 600 million yuan (162 million U.S. dollars) last year.

Yancheng is using its reclaimed land as a nature reserve for 30 state-protected waterfowl, including red-crowned cranes, swans and storks.

Peer David deer, presented to China by the World Wildlife Fund last year, are beginning to multiply in the beach forests of Dafeng County. The deer, originally indigenous to China, are currently extinct in the wild.

"Jiangsu's reclaimed land is the result of silt sedimentation from the Yellow and Yangtze Rivers and seabed sand carried to the shore by the ocean," the official said.

In addition to local investments, the state has spend over 1 billion yuan (270 million U.S. dollars) on water conservation projects in reclaimed areas, and flood prevention projects, high tides, waterlogging and drought have also been completed.

/12233

CSO: 4020/229

BRIEFS

IMPROVED LIVING STANDARD—Since the 3d Plenary Session of the 11th CPC Central Committee, the rural economic structural reform in our province has won initial success. Over the past 8 years, there have been substantial increases in the peasants' income and remarkable improvements in their living standards. According to information provided by the provincial rural sampling investigatory team, the per-capita net income among the peasants of our province in 1986 reached 333 yuan, an increase of 217 percent as compared with the per-capita net income of 105 yuan in 1978. The per-capita housing area among the peasants of our province in 1986 reached 14 square meters as compared with 8 square meters in the previous period. In 1986, among every 100 peasant households, there were 104 bicycles, 59 sewing machines, 74 radio sets, and 16 television sets. [Excerpts] [Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 17 Jun 87 HK]

JILIN AGRICULTURAL DEVELOPMENT—Thanks to the reform of the cooperative economic operation structure and the reform of farm products circulation structure since the 3d Plenary Session of the 11th CPC Central Committee, Jilin Province's rural economy has developed rapidly. Since 1984 the province has sold a total of 18.35 billion kg of commodity grain to the state, transferred more than 6 billion kg of grain to foreign countries, all ranking first in the country. Meanwhile, output of meat, milk, and ginseng has doubled and redoubled. The rural industry, construction industry, and transport industry have also developed greatly. The total rural industrial output value in proportion to the total rural product of society has risen from 10 percent in 1978 to 20 percent in 1986. As of 1986, 360,000 people were engaged in private businesses in the countryside of the province, and one-third of laborers in the rural areas have left their farmland to development town and township enterprises and various other trades. [Summary] [Changchun Jilin Provincial Service in Mandarin 2100 GMT 19 Jun 87 SK] /12232

HUBEI FOREST FIRES CIRCULAR—On 16 June, the provincial government issued an urgent circular, calling on areas throughout the province to conscientiously promote forest protection and forest fire prevention. The circular says: Since last winter, there have been frequent forest fires throughout the province. According to statistics, from October last year to May this year, the whole province had 340 forest fires, which burned down over 74,000 mu of mountain forests and caused economic losses totaling over 1.76 million yuan. The circular demands that all areas and forestry departments at all levels

immediately organize their cadres, staff members, and workers to conscientiously study both the State Council decision on handling the case of the catastrophic Daxinganling forest fire and the speech delivered by a leading comrade of the central authorities at the plenary meeting of State Council [on 6 June].
[Excerpt] [Wuhan Hubei Provincial Service in Mandarin 0900 GMT 20 Jun 87 HK] /12232

HUBEI POLICIES HARM HUNAN--Hubei has adopted a series of protectionist policies on tea production, thus directly producing adverse effects on our province's tea production. Due to the lack of appropriate measures in our province, tea business units have no choice but to sell Hubei the tea they have purchased. According to statistics, of the 5,400 dan of spring tea purchased by Shimen County's tea business units at the basic level, more than 4,100 dan have flowed back into Hubei, accounting for 76 percent of the total purchasing volume.
[Text] [Changsha Hunan Provincial Service in Mandarin 1000 GMT 27 Jun 87 HK] /12232

HEILONGJIANG EXTENDS EXPORT FACILITIES--Harbin, 27 June (XINHUA) The state will allocate 782 million yuan to build its largest base for commodity grain and an export base for soybean and corn in its three northeast provinces by the year 1990. The funds will be used in basic agricultural construction including water conservancy projects and improvement of farmland to increase the per hectare yield. They will also be used in building a complete agricultural scientific research system and agro-technique spreading system. Some 35 counties in the 3 provinces of Heilongjiang, Jilin, and Liaoning have been chosen in the past few years as part of the base for commodity grain. Last year, departments of the State Council extended such bases to 81 counties and cities, and another 65 state-run farms in 30 counties were also listed as export bases for soybeans. [Text] [Beijing XINHUA in English 1440 GMT 27 Jun 87 (6)] /12232

CNO: 4020/229

AIR FORCE COMPLETES MAIN REORGANIZATION TASKS

Beijing RENMIN RIBAO in Chinese 11 Jan 87 p 4

[Report by XINHUA reporter Cai Shanwu [5571 0810 2976]: "Air Force Completes Main Tasks in Streamlining and Reorganization, Persists in Reform To Accelerate Pace of Regularization and Modernization"]

[Text] The year 1986 was a year of advances in reform for the People's Air Force. In accordance with the main indices of streamlining stipulated by the Military Commission of the CPC Central Committee, the Air Force comprehensively implemented them, completing on schedule the tasks of adjusting its establishment and system of organization. All of its arms, with the air arm as the main part, took the path of regularization and modernization in combat readiness training, overfulfilling by 10 percent the annual training tasks.

At the beginning of last year, the Air Force first of all adapted and changed its thinking and concepts. It made the great number of its officers and men strengthen the concept that armed forces construction must be done within the context of the overall situation in state economic construction.

The adaption and change in thinking and concepts promoted the adjustments and reforms in modernization, and initially smoothed out the command relationships at all levels after streamlining and reorganization. The demarcation lines between all levels of operations and the flight control areas were redrawn, and the Air Force's combat-ready reserves were readjusted, so that the units maintained a good state of a moderate degree of alert.

The training content was restructured, and tactical training began to be put onto the right track. Laser and electronic simulated two-sided tactical training exercises were successfully organized, and they were assessed as good by the senior officers of the Military Commission and the General Headquarters. The exercises indicated that the Air Force's simulation training had developed to a new stage--from mechanical and electromechanical simulation to laser and electronic simulation, from technical simulation to tactical simulation--and that a new step had been taken in the modernization of the means of training.

During the adjustment and restructuring, the Air Force further perfected the training system in colleges and schools of the primary, middle, and higher levels and in specialized technical colleges and schools of the middle and higher levels, and the "five levels" (special or technical courses, higher education courses, undergraduate courses, courses for master's degree, and courses for doctor's degree). Of the more than 10,000 students who graduated last year, 1,095 of them received bachelor's degrees, setting for the Air Force the highest level of quality in the history of the building of the PLA.

9727

CSO: 4005/357

SURFACE-TO-AIR MISSILE LAUNCH TRAINING DESCRIBED

Beijing JIEFANGJUN SHENGHUO [PLA LIFE] in Chinese No 12, 13 Dec 86 p 24

[Article by Chen Hanzhong [7115 3352 1813] and Lai Daochun [6336 6670 2504]:
"Young Enlisted Men Who Control Missiles"]

[Text] In early autumn, on a day when the sun shone again after a rain, at a launch position of a certain surface-to-air missile unit of the Air Force, a mighty radar set stood like a vigilant sentry. Silver-grey missiles, with their noses upright, pointed straight at the firmament. Groups of young fighters were carrying out prelaunch preparatory work intensely. Suddenly an urgent alert sounded. Officers and men, like little tigers, leaped into position. At once, motors roared and the radar antenna turned swiftly. There was a tense atmosphere of combat.

In the command car, red and green indicator lights flashed incessantly, the remote control recorder continuously recorded technical data, and pairs of vigilant eyes in front of fluorescent screens searched for targets in the air....

"Target sighted!" Following an operator's report, a fast-flying target was tightly circumscribed in the middle of the fluorescent screens. Immediately, white dots appeared on the fluorescent screens. A strong jamming signal drowned out the target's signal. They had to track by manual control, which is extremely difficult. Why didn't they use automatic tracking equipment? It turned out that this was a topic specially set for the valiant missile fighters that proceeded from the demands of difficult, actual combat. This is because, during a future war against aggression, the enemy will carry out strong electronic jamming against us, making automatic tracking impossible. Manually controlled tracking could, under circumstances of strong electronic jamming, become the main operational means for firing at targets in a future war.

In a short while, the command post sent down a notice saying that the target had entered the firing zone. The trackers fixed their eyes on the target on their fluorescent screens. Even though the jamming signal was fairly strong, the target's signal was kept firmly in the place where the vertical marking line met the horizontal marking line. After several seconds, the battalion commander who was directing the operation gave the order: "Fire!" The guiding

technician pressed the firing button, a red light lit up, and from the launcher came an earth-shaking sound. Dense smoke rolled over the entire firing zone. A missile spouting a huge column of fire rose into the sky and flew toward a sea of clouds on the horizon. After several dozen seconds, the detonate command light lit up, and high in the sky a huge fireball flashed. The fast-flying target was immediately blown to pieces. On the fluorescent screens, there was a string of bright dots, as magnificent as fireworks on a holiday. Obviously, this was the reflecting signal from the flying fragments after the missile hit and destroyed the target. Below the car there was jubilation: "A hit! A hit!"

Perhaps people would not have expected that some of these bodyguards who steer the "sharp arrows" in the vast sky are recruits who joined the army not long ago. How did they obtain such outstanding successes in training? We may seek an answer from the "footprints" left by three young enlisted men of Vehicle No 3 of the Guidance Company. When these new fighters, who came from a region of rivers and lakes south of the lower reaches of the Changjiang, saw this surface-to-air missile made by China itself, their hearts rejoiced, and at the same time they also deeply felt the heaviness of the responsibility they were to shoulder. They regularly gather around a map of China, and with a serious expression ponder: On the frontline on the southern border, where there are many rounds of artillery fire, the Vietnamese Army constantly violates our border. As defenders of the motherland, only by assiduous training to make the "sharp arrows" in our hands even sharper can we never disappoint the expectations of the people of the motherland. The vehicle's three operators helped and learned from each other, as they trained assiduously. In a little over 3 months, they completed a training task that should have taken half a year to complete.

The rapid maturation of the new fighters is really exciting. Zhang Chengzhu [1728 0701 4554], director of the technical department of the unit that was cited for meritorious services, first class, for being the first to use a surface-to-air missile made by China itself to shoot down an intruding enemy aircraft, stroking the silver-gray missile, said with all sorts of feeling welling up in his mind: In the past, our air defense forces were extremely weak. In the early sixties, the newly formed missile units went through a severe test in a period of difficulties. However, the Chinese people have backbone. Relying on our own strength, through the hard work of a great number of scientists and technicians, we finally successfully made our own surface-to-air missile. Now we have a contingent that has mastered the skills of launching vehicles, and we can say with full confidence: Rest assured, motherland!"

[Photo accompanying the article shows an HQ-2J surface-to-air missile being launched.]

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CSO: 4005/357

PLA EQUIPMENT MAINTENANCE MODERNIZED

Beijing JIEFANGJUN BAO in Chinese 2 Jan 87 p 1

[Report by reporter Lei Xinlong [7191 2450 7893]: "Equipment Maintenance in Our Army Becoming Scientific"]

[Text] The All-PLA Work Conference on Reform of Equipment Maintenance, which ended on 21 December 1986, revealed to people that our army has obtained gratifying results in the reform of equipment maintenance: advanced science and technology have been introduced into the field of equipment maintenance, and maintenance methods and maintenance management are gradually becoming scientific.

For our army's equipment, the method of scheduled maintenance has always been used. No matter whether there was a problem or not, when the stipulated time arrived, without exception there would be a major disassembly, an "overall investigation." Following the development of science and technology, our army's weapons and equipment have become increasingly complex, and the units are being equipped with a succession of sophisticated weapons. In the original maintenance methods, the defects of poor results and low assurance capability have been increasingly revealed. Data on Air Force units in three military regions show that the number of manmade breakdowns caused by disassembly exceeds the number of intrinsic breakdowns in the aircraft themselves.

Beginning in 1983, the General Headquarters and the equipment departments of all branches and arms of the service made a reliability analysis of existing equipment. On the basis of obtaining a large amount of data, they reformed the existing maintenance methods. The single scheduled maintenance method was changed so that, besides it, the forms of inspection and of condition control have been widely adopted to improve the reliability in equipment and economy of maintenance.

To effect maintenance by condition control and inspection, advanced sciences and techniques and measures such as lasers, fiber optics, and spectral analysis are widely used. The tests have developed from making disassembly and direct inspection primary to using instruments to perform such tests, initially changing the backward state of relying on what the ear hears and the hand feels to determine the course of a breakdown, and of relying on

experience in checking and evaluating the quality of maintenance. Various kinds of testing instruments are now developing in the direction of being formed into complete sets and serialization. Units are being equipped in succession with aircraft test vehicles that have many kinds of testing instruments. A naval vessel diagnostic techniques center is being built. Some microcomputer systems for diagnosing equipment breakdowns developed by the 2d Artillery Corps provide technical ways for testing and repair.

During the reform of maintenance, the principles of systems engineering, mathematical statistics, and computer technology have been fairly widely applied to maintenance management. Tangible results have been obtained in the reform of equipment maintenance management, and they have directly improved the units' combat effectiveness. In the past 3 years, the Air Force has cut its maintenance time and extended its aircraft flight hours, thereby saving more than 200 million yuan. The number of serious flight accidents for which ground crew maintenance was responsible has markedly dropped, and is now in the advanced ranks of the the world.

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CSO: 4005/352

XINJIANG MD SIGNAL, ARTILLERY REGIMENTS RESCUE CIVILIANS

Beijing JIEFANGJUN BAO in Chinese 4 Jan 87 p 1

[Report by Zhu Tianhua [4376 1131 5478]: "In a Wind Gap, With Blowing Snow Filling the Air, Our Own Army Bravely Rescues Dear Ones"]

[Text] Struggling indomitably for more than 7 hours on a snowy night with a temperature of 20 degrees below zero centigrade, a signal regiment and an artillery regiment of the Xinjiang Military District rescued more than 420 persons of various nationalities and several hundred machines and vehicles pinned down by a blizzard. In the middle part of December 1986, the Xinjiang Military District issued a notice on their deed, and called on all its subordinate units to vigorously throw themselves into the winter emergency relief work in Xinjiang.

On the night of 10 December last year, the more than 70-kilometer wind gap section from (Wulabo) to (Daban) City on the major communications artery connecting Kashi and Urumqi in Xinjiang--the Urumqi-Kashi Highway--was lashed by a frigid current coming from the Ural Mountains. The maximum wind force was over 11. In less than 3 hours, the snow accumulation on the highway's surface was 1 meter, and in the deepest places more than 1.5 meters. Several hundred machines and vehicles traveling from Kashi to Urumqi were pinned down in the wind gap area. At 2 am on the next day, the autonomous region sent an emergency rescue telegram to the military units. A signal regiment and an artillery regiment were ordered to effect the emergency rescue, and in less than 20 minutes machines and vehicles were heading for the danger zone. Zhang Guiqi [1728 6311 0796], commander of the 2d Company of the signal regiment, led the radio station chief and operators to swiftly open communications with the regiment's command group, thereby insuring the smooth conduct of the rescue work. Qiao Xinzong [0829 2450 0022], the regiment's chief of staff, led 48 fighters to the place where the snow was deepest, and they furiously dug a path through the snow. Some of the masses had been pinned down by the wind and snow for more than 20 hours. They were suffering from hunger and cold, and some were unconscious. The fighters pressed on through the snow covering the ground, advancing one foot deep and one foot shallow. Carrying the bus passengers on their backs or helping them to walk, the fighters transferred them one by one to the unit's buses. Without a break, Fighter Ma Guoliang [7456 0948 5328] carried 13 passengers on his back. After more than 7 hours of rescue work, a little over 400 persons of various nationalities, who had been pinned down by wind and snow, were all transferred to the unit's warm assembly hall.

XIZANG BORDER DEFENSE REGIMENT AIDS CIVILIANS

Lhasa XIZANG RIBAO in Chinese 3 Jan 87 p 1

[Article by Zhang Yusheng [1728 5148 3932]: "Like Brothers the Army and the People Jointly Make the Border Area Prosper"]

[Text] Changdu--A certain PLA border defense regiment stationed in Zayu [1390 7126], displaying our army's glorious tradition of supporting the government and cherishing the people, has vigorously launched support the government, cherish the people activities with army-people joint building as their center, and has made doing practical and realistic things for the people the specific actions in these activities. According to incomplete statistics, last year this regiment did 5,000 person-times of disease prevention and cure for the masses, and gave 800 haircuts and took photographs for the masses. It sent out 50 vehicle missions to support local public welfare construction. To improve border area communications, it built 2 km of road. It took part in 320 person-times of emergency disaster relief, supporting the disaster-stricken masses with 2,000 jin of food, 200 jin of edible salt, and 120 sets of cotton-padded clothes. It built closer army-government army-people relations, and promoted unit construction.

This regiment paid full attention to initiating support-government cherish-people activities. The regiment's party committee conscientiously respected the leadership of the local party committee and government. It enthusiastically supported the work of the local party committee and government, and paid regular calls on the local government, reporting to it on work and soliciting opinions. On every major holiday, the regiment widely carried out in its units education on the nature and purpose of our army, its support the government, cherish the people activities, the unity of the nationalities, and mass discipline, greatly raising the consciousness of the great number of cadres and fighters for doing support the government, cherish the people work well. The regiment also organized and launched activities of the units doing good deeds for the masses, which played a positive role in developing production and promoting the building of spiritual civilization. To support the locality in developing educational undertakings, the regiment's political department gave books that the regiment had purchased to the middle schools in Zayu County. The regiment also solved drinking water and lighting problems for the middle schools in this county. In October of last year, machinery in Zayu County's hydropower station was damaged and could not

generate electricity, causing certain difficulties in work and life to the county's organizations and the nearby masses. The regiment on its own initiative loaned a spare power station to the county, an action for which it received favorable comment from the local government and masses. For putting out a fire and providing relief to Songgu Village, the 1st Company of this regiment received a collective citation, third class, for meritorious services, and was named an advanced unit in army-people joint building by the Changdu Military District. This company also vigorously launched activities of helping the people intellectually, helping Shama Village, where it was stationed, to run a night school, which trained 4 medical workers and 2 farm machinery repairmen.

The units vigorously dispelled worries and resolved difficulties for the local government and masses, and the latter also vigorously exerted themselves for unit building. In September last year, the intake channel for the generators of the regiment's 9th Company collapsed, causing difficulties in lighting and water use. Songlin Village immediately organized 34 members of the masses to help the company to repair the intake channel. On 6 November last year, one of the regiment's cadres injured himself in an accident, and the injury was fairly serious. The county head, Xiong Lin [3574 2651], who was there inspecting Shama Village, after learning of the accident, immediately took the injured man in his own car to the regiment's medical unit, where he received first aid. After the injured man was out of danger, the county's hospital dispatched an ambulance, which took him to Changdu for treatment. Last year, when veteran soldiers were demobilized, the Zayu area organized the masses to send off the demobilized veteran soldiers of the 3d Battalion. Their eyes brimming with tears, the masses pressed apples and boiled eggs into the hands of the veteran soldiers leaving their unit, reflecting the deep friendship between the army and the people.

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10,000 SICHUAN STUDENTS TAKE MILITARY COURSES

Chengdu SICHUAN RIBAO in Chinese 27 Dec 86 p 1

[Article by Zheng Bin [2973 1775], Xue Shu [1331 2579], and Li Su [4539 5126]: "Students Love Martial Action, Military Camps Fully Occupied With Drills"]

[Text] Gratifying results have been obtained in the military training of students in Sichuan. At 8 experimental-point college and middle schools, nearly 10,000 students have been given strict military training, which has raised their ideological consciousness, kindled their patriotic zeal, and strengthened their concept of national defense and their organizational discipline.

Based on the stipulations of the Military Service Law and the relevant decision by the central authorities on reform of the educational system, beginning in 1985, the Chengdu Telecommunication Engineering College, Chongqing University, Nanchang Petroleum College, Chengdu Inorganic Chemistry School, Chengdu Finance and Trade School, Nanchang Dongguan Petroleum Technical School, Changdu No 8 Middle School, and Jiangjin Middle School offered specialized courses on military affairs. The provincial military districts, the military subdistricts, and the units stationed locally closely coordinated with educational departments in all areas. They either transferred active-duty cadres to the colleges and schools to be military instructors, or took students into the barracks areas, and, in coordination with the people's armed forces departments in the colleges and schools, arranged military training, thereby insuring the smooth conduct of military training.

The lively education in national defense and the strict life of the military camp caused three clear changes in the spiritual features of the students who took the training:

--They cultivated in the students the concept of national defense and the spirit of patriotism. Through theoretical courses on the characteristics of modern warfare and foreign military research, the students more deeply understood that the structural reform and modernization in China is being carried out in an untranquil international environment, and that they must, with practical actions, strengthen national defense and conscientiously safeguard the stable, united political situation. They came to understand that modern warfare is a special type of competition that gathers the

knowledge of nature, society, and thought into one organic whole, and that without abundant knowledge it will be difficult to cope with modern warfare. Therefore, they must study assiduously and strive to master modern science and technology. The Nanchang Petroleum College combined military training with the launching of activities to learn from heroic models. It invited heroic models who had taken part in the war of self-defensive counterattack against Vietnam to give reports, thereby cultivating in the students the spirit of revolutionary heroism. During emergency disaster relief, the students displayed bravery and staunchness.

--They strengthened the students' organizational discipline, and cultivated in them the workstyle of bearing hardships and standing hard work. Military training courses were arranged for the first and second year in college (or polytechnic school). These years are precisely the period of "psychological weaning" when the students have left their homes and parents. Through military training the students' organizational discipline and capability for living independently were greatly strengthened. After the students of Chengdu Telecommunication Engineering College, Chongqing University, and the other colleges and schools had taken this military training, their time for assembly was shortened, order in the classrooms was good, and the concept of collectivism was greatly enhanced.

--Studying military affairs and being interested in national defense construction has become the extracurricular hobby of many students. Through studying scientific and technological knowledge about modern military affairs and other courses in military theory, many students have developed a strong interest in the study of military affairs. The students of some of the colleges and schools have volunteered to organize national defense research meetings and military scientific research groups.

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SICHUAN NATIONAL DEFENSE INDUSTRY NETWORK FORMED

Chengdu SICHUAN RIBAO in Chinese 18 Jan 87 p 1

[Article by staff reporters Wen Xianshu [2429 6343 2579] and Gu Longhuan [0657 7127 1298]: "More Than 90 Military Industry Enterprises in Our Province Form Scientific and Technological Services Group"]

[Text] Guanghan, 16 January--More than 90 scientific research, production, and technical administration units of the service arm, aeronautical, astronautical, industrial, and other science, technology, and industry systems in our province have united to form a Sichuan national defense science and technology network system. This will become the dominant position of our province's group of military industrial scientific and technological services, and is a new development in the activities of the province's national defense science, technology, and industry in the technological transformation, consultation, and transfer of the possession of results to the civilian enterprises.

In recent years, our province's national defense science, technology, and industry have vigorously displayed their superiority in technology, human talents, and equipment. While striving to complete their scientific research on and production of military goods, through many ways they have energetically begun to produce civilian goods in order to make contributions to the province's economic development. This S&T network system will, with national defense industry S&T companies as its center, mutually supply information for supporting our province's local small and medium-sized enterprises, township enterprises, and for exploiting old, small, and border areas. The launching of S&T services will make better contributions to the vigorous development of Sichuan's economy.

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CSO: 4005/393

300,000 EXCESS MILITARY CADRES SUCCESSFULLY RETIRED

Beijing RENMIN RIBAO in Chinese 14 Jan 87 p 4

[Article by reporter Liu Huinian [0491 0932 1628]: "Successful Placements Made for Excess Cadres in Our Army's Streamlining and Reorganization"]

[Text] Beijing, 12 January--The placement work for excess cadres in the PLA's streamlining and reorganization has just been successfully carried out according to plan. More than 300,000 excess cadres in the PLA have been transferred to civilian employment, separated from the service, or retired. The leading cadres of the Military Commission of the CPC Central Committee have said that the excess cadres in the armed forces took the overall situation into account and kept the cardinal principles in mind, obeyed the organizations' decisions, and manifested high consciousness and style.

When our country's government decided to reduce the number of personnel in the armed forces by 1 million, from top to bottom the PLA responded positively and resolutely carried out decisions. As of now, the PLA has cut 410,000 enlisted men, and at the same time has withdrawn more than 300,000 cadres from active service, for a total reduction of more than 700,000 men. The concluding work in the streamlining and reorganization of the armed forces is now being intensified. The relevant departments of the PLA told this reporter that this streamlining and reorganization of the armed forces was a big change in the history of our army; the work was strenuous, and the situation complex. However, all units subordinated themselves to the overall situation, dismantling or merging as ordered. The great number of overestablishment cadres, in dealing with the question of the individual leaving, consciously subordinated themselves to state and armed forces construction, obeyed orders and heeded commands. If they were asked to leave they left, if they were asked to withdraw they withdrew. They did not negotiate terms and did not bargain. Many older comrades were separated or retired, letting younger comrades take over. Many cadres were transferred to civilian employment, and they went where they were needed, happily doffing the uniform and throwing themselves into the ranks of state economic construction. Many comrades volunteered to settle in mountain, border, or poor areas. According to my understanding, the local governments and the personnel departments at all levels vigorously supported the streamlining and reorganization of the armed forces. They took positive measures, and did all they could to make appropriate placements for cadres of the armed forces who had been transferred to civilian employment, coordinating with the armed forces in doing this work in a measured, planned way.

BRIEFS

XIZANG POWER STATIONS--Lhasa, 2 January--Border defense units stationed on the Xizang Plateau, making use of the hydraulic power resources there, are building small hydropower stations. By the end of last year, 59 of them had been built. There are 101 generating units with a total capacity of 9,842 kilowatts. [Text] [Report by Wang Genquan [3769 2704 0356]] [Beijing JIEFANGJUN BAO in Chinese 3 Jan 87 p 1]

PEOPLE'S ARMED POLICE STATUS--Editors note: Judging from some readers' letters, many people still do not understand the People's Armed Police units, misconstruing them to be the same as public security cadres and policemen. For this reason we are starting this special column, "Introduction to Police Types," to give introductory knowledge about police types. [end of editor's note] Article 4 of the military service law, which went into effect on 1 October 1984, stipulates: "The Armed Forces of the People's Republic of China comprise the Chinese People's Liberation Army, the Chinese People's Armed Police units, and the militia organizations." Obviously, the People's Armed Police is a component part of our country's armed forces and an armed force that performs the mission of public security. A more marked indicator is that in the People's Armed Police units, as in the Liberation Army, the system that is in effect combines compulsory servicemen and volunteer servicemen. The Liberation Army's rules and regulations are in effect for the People's Armed Police units, and they receive the same pay and conditions as the Liberation Army. Therefore, the People's Armed Police units are a component part of the armed forces, and they are different from the public security cadres and policemen. [By Chen Shuwu 7115 2885 2976]] [Text] [Beijing JIEFANGJUN BAO in Chinese 5 Jan 87 p 2]

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CSO: 4005/352

JIANGXI COMPLETES VILLAGE-LEVEL PARTY RECTIFICATION

Beijing RENMIN RIBAO in Chinese 24 Mar 87 p 4

[By reporter Zhang Xiangting [1728 7449 1656]: "Jiangxi Achieved Outstanding Results in Rural Party Rectification; Fighting Strength of Party Branches Markedly Enhanced"]

[Text] Nanchang, 23 March (XINHUA)--The village-level party branches of Jiangxi Province have further strengthened their fighting strength through party rectification and have become the staunch core leadership in warmhearted service to the people, in guiding the progress of the masses on the socialist road, and in controlling poverty and advancing toward prosperity.

The village-level party rectification in Jiangxi Province was basically concluded at the end of February this year. During party rectification, county and township party committees rectified those leading groups in village party branches which had been uneven, unharmonious, and weak, while a group of middle-aged and young party members of a somewhat higher educational level, imbued with good party spirit, and with a good style of work, have been brought in to replenish the party branch committees, thereby markedly enhancing the fighting strength of the party branches.

Through party rectification, the party branches in the various villages with increased consciousness showed solicitude for the hardships of the masses and of their own accord dispelled the anxiety of the masses and dissolved their difficulties. When Fengshuping Village in Yichun City suffered a serious shortage of water, the city's party members of their own accord collected somewhat more than 1,000 yuan, put to work over 200 people, and led the masses in digging a well and over 500 meters of a canal, bringing river water into the village. In Liantang Village of Xingguo County three orphans lived permanently in a broken-down temple. At the end of last year, the village party branch mobilized party members to repair an unused dilapidated warehouse and happily moved the three orphans to their new home.

Guiding peasants to abandon the small-peasant-economy mentality, leading them on the road of prosperity through work, is the gratifying change that has come about in all village party branches after party rectification. Rural party branches in the many old liberated areas at Juijin, Xingguo, Yudu, and at Jian actively arranged for party members and young peasants of a certain level of education to leave home to attend various kinds of technical training classes to acquire knowledge in agricultural S&T.

QUALIFIED ATTORNEYS IN HUBEI IN DEMAND

Beijing RENMIN RIBAO in Chinese 23 Mar 87 p 1

[By correspondent Wang Chu [3769 2806]: "Factory Directors and Managers Taste the Sweetness of Operating With Legal Backing; Hubei's Attorneys Are 'Snapped up in No Time' by Enterprises"]

[Text] The position and functions of lawyers are more and more recognized by the public. The 525 persons who qualified as lawyers in Hubei Province last year were all "snapped up in no time" by more than 2,000 enterprises and industrial units, to serve as legal advisors. When talking of the benefits of engaging the services of lawyers, factory directors and managers are frequently happy to say: "Having lawyers as legal advisors gives legal protection to our policy decisions and to the business operations of our enterprise and gives us powerful backing."

A few days ago, lawyer Yang Yicai [2799 0110 2088], head of the judicial department of Hubei Province, revealed to this reporter that in the past 3 years, Hubei lawyers have handled over 22,000 economic and legal cases for client units, and recovered or saved for them as much as 500 million yuan.

The lawyer contingent of Hubei has developed very rapidly. Up to the end of last year, 1,239 persons were employed as lawyers or in auxiliary work province-wide, which is threefold that of 3 years ago. At present, 121 legal counseling offices have been established, and special law offices are constantly being set up to handle legal affairs in the areas of economics, real estate, marine affairs, and cases involving foreign parties. Throughout the province a legal service network is initially taking shape.

Legal specialists involved believe that the way Hubei lawyers have entered factories and are in a variety of forms helping the vast number of enterprise cadres enhance their concept of law is guiding all work in enterprises to follow the path of the socialist legal system. According to spot checks, every unit that has engaged the services of a lawyer has markedly reduced the incidence of disputes of any kind. Some enterprises that were doing poorly, whose production had slumped, even those on the verge of bankruptcy, quickly recovered vitality when they made use of law in the management of their factories or to improve management.

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CSO: 4005/511

HUNAN STREAMLINING PARTY, GOVERNMENT ORGANS

Beijing RENMIN RIBAO in Chinese 23 Mar 87 p 4

[By correspondents Wu Xinghua [0702 5281 5478] and Hu Zhiwen [5170 0455 2429]: "Raising Efficiency in Party and Government Organs Above County Level; Hunan Eliminates Over 4,000 Excess Personnel"]

[Text] The Hunan Provincial CPC Committee and the Provincial People's Government are taking action to solve the problem of excess staff in party and government organs above county level, and view this issue as of major importance for overcoming bureaucracy, raising efficiency, reducing expenditure, and promoting the four modernizations.

According to statistics of the Hunan Commission for Personnel Establishment, 4,207 excess staff were eliminated from party and government organs of higher than county rank throughout the province, which accounted for 33.8 percent of the total excess party and government staff throughout the province. Of the total of 138 prefectures, autonomous prefectures, municipalities, counties, and municipality-administered districts, 64 have already reduced their excess personnel. In 40 counties throughout the province there are no excess personnel; these counties account for 48.7 percent of all counties. In changing the passive state of affairs during the last few years, when party and government organs of higher than county level throughout the province increased personnel at the rapid rate of 5,000 per year, there began for the first time a new trend of personnel reductions in party and government organs of higher than county rank.

The Hunan Provincial CPC Committee and the Provincial People's Government are taking action to solve the problem of excess personnel in party and government organs of higher than county rank, and view this matter as of major importance in efforts to overcome bureaucracy, raise the efficiency in these organs, to control increases in operating expenses, and to promote the four modernizations. Placement elsewhere of excess personnel has, on the one hand, eliminated "personnel inflation" in the organs in question and, on the other hand, strengthened and promoted work in other sectors. Measures adopted for this purpose were: Integrating the work of transferring excess personnel from party and government organs of above county rank with the work of strengthening enfeebled departments and localities; having teachers return to the profession they were trained for; preferentially transferring middle-aged

and young cadres to jobs in townships and towns; transferring personnel from the organs in question to judicial, supervisory, and similar departments; clearing out personnel who since 1983 have been moved into the organs in question from enterprise and industrial units; clearing out and retiring collective workers and temporary workers who had been employed for long periods, as well as inducing personnel who fulfill the relevant conditions for retirement to promptly start retirement procedures. According to statistics, last year throughout the province 11,996 persons were removed from posts in party and government organs above county rank.

The Hunan Provincial CPC Committee and the People's Government have adopted measures to strictly control the personnel establishment, to prevent such machinations as reducing staff here while inflating it there, and to consolidate results achieved in "inflation busting." All questions of personnel structure and personnel establishment must be approved by the personnel establishment commissions at all levels. The transfer of cadres must take place within the approved establishment. For additions to staff in units which have no fixed establishment, persons should be selected from units of the same rank which have excess personnel. If staff have to be transferred out from units that are already within the limits of their personnel establishment, the rule should be to first make the outward transfer before transferring in any replacement. In the case of units which have excess staff, the rule should be "only out, nothing in," or, with the approval of the personnel establishment commission, "many out, fewer in." If the return of personnel who had been away on paid study leave for over 2 years would result in exceeding the personnel establishment of their original unit, the organization and personnel departments should jointly arrange for their placement elsewhere.

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CSO: 4005/511

LEGISLATORS PASS 3 MORE SECTIONS OF SECURITY LAW

OW141350 Taipei CHINA POST in English 9 Jun 87 p 12

[Text] The Legislative Yuan's home affairs, national defense and judiciary committees passed yesterday the third and fourth articles of the proposed National Security Law without incident.

Last week, legislators of the opposition Democratic Progressive Party caused confusion during debate and walked out en masses while reviewing the bill's second article.

The committees passed the fourth article after revising it to bar the Taiwan Garrison Command from handling customs and immigration in the post-martial law period.

The revision provides that police inspect inbound and outbound planes, ships, tourists, luggage and cargo instead of the garrison command.

The committees also passed the third article after revising a section to require the government to give its reason for denying entry to an inbound traveler.

Another section was revised to merely "deny entry" to people without entry permits from the Bureau of Entry and Exit instead of "repatriating them to the country where they came from."

Legislators also added a section requiring the Interior Ministry to form a screening committee to determine whether to deny entry to inbound travelers suspected of intending to harm to [as received] national security or social stability. The committee is to be composed of the "society's dignitaries with a sense of justice."

The lawmaking body has until July 17 to pass the 10-article bill, which is to replace martial law.

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CSO: 4000/105

KMT-DPP COORDINATION SMOOTHES SECURITY LAW

OW161424 Taipei CHINA POST in English 11 Jun 87 p 11

[Text] The fifth article of the proposed National Security Law breezed through legislative committees yesterday after legislators of the ruling Kuomintang coordinated with colleagues of the opposition Democratic Progressive Party. [DPP].

The Legislative Yuan's home affairs, national defense and judiciary committees passed the article 36-4. The article governs restricted areas including coastal and mountain areas.

Legislature sources attributed smooth passage of the article to concessions by the KMT since the review of the bill started last Wednesday, and coordination between the ruling and opposition parties.

The article was revised to allow the Interior Ministry in addition to the Defense Ministry to designate coastal and mountain areas and key military facilities as off limits to the public.

A section was also added to exempt restricted areas from real estate taxes.

A record 45 lawmakers have aired views on the article.

Some legislators had recommended limiting the scope of restricted areas to key military installations. They argued that restricting mountain areas has affected the lives of Taiwan's aborigine minorities.

Other lawmakers said the need to restrict mountain regions is evidenced by the 290 fugitives and 41 deserters rounded up in mountain areas in 1985 and 86.

During the same period, 263 people were also arrested in mountain regions for committing crimes, they said. A total of 209 illegal firearms were found in the possession of the suspects, the legislators added.

Meanwhile, the local Chinese-language Independence Evening Post reported yesterday that the DPP has decided to attempt to delay the bill through boycott when it reaches the floor.

The opposition party also says it will stage a large-scale, peaceful protest outside the legislature building at 1 p.m. on Friday.

The DPP reportedly wants the bill's Article 9 revised to allow people convicted by military courts to appeal to civilian courts in the post-martial law period.

DPP ACCUSES GOVERNMENT OF 'POLITICAL PERSECUTION'

OW201944 Taipei CHINA POST in English 17 Jun 87 p 12

[Text] The opposition Democratic Progressive Party protested yesterday what it called political persecution after the Taipei prosecutor served summonses on three of its members.

During a press conference at the DPP headquarters in Taipei, reporters were shown a 15-minute videotape of a clash between opposition and right-wing demonstrators outside the legislature building last Friday.

DPP officials and members at the news conference included (from left to right) Chiang Kai-shih, Taipei City Councilor Frank Hsieh, acting chairman Fei Hsi-ping, spokesman Daniel Huang and National Assembly member Hung Chi-chang.

Chiang, Hsieh and Hung have been served summonses to appear before the Taipei prosecutor for questioning on Saturday.

Fei, a legislator, told reporters that Chiang's advocating Taiwan's independence is an individual act. The DPP's charter makes no mention of independence for Taiwan, he said.

Fei said he had advised Chiang not to continue espousing Taiwan independence, but added that the DPP respects its members' freedom and is not in a position to interfere with Chiang's beliefs.

Chiang had tried to march on the Presidential Building last Wednesday and the former residence of the late President Chiang Kai-shek in Shihlin the following day. He said like Mahatma Gandhi, he is against violence.

Chiang said although he was hit by members of a right-wing group with a flag pole while staging a sit-in beside riot police outside the legislature building last week, he asked his supporters not to retaliate.

His supporters marched with him in city streets and avoided confrontations with riot police, whom they far outnumbered, by changing route or sitting on the ground, Chiang said.

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CSO: 4000/105

PREMIER DISCUSSES OPPOSITION, SOCIAL PROBLEMS

OW151400 Taipei LIEN HO PAO in Chinese 6 Jun 87 p 2

[LIEN HO PAO interview with Premier Yu Kuo-hua on 5 June]

[Excerpts] [Question] In the past year, with the ruling party carrying out the political reform, there have been some changes taking place in our society. In the course of this changing process, have you been particularly busy?

[Answer] Yes. The changes are not only taking place in the political but also in the economic realm. Social problems, such as environmental protection and quality of life issues that were not heard of before, are gaining more attention.

[Question] Have you adjusted to this constantly changing situation? Will the thriving and strengthening of the opposition cause difficulties in carrying out government policies, such as budget cuts and delayed bills?

[Answer] It is quite normal to have different opinions in any society. The difference between a democratic society and a totalitarian one is that the former allows full expression of different opinions. Basically, I believe that our government will gain the support and cooperation of the people as long as it administers the nation with ideals, goals, and principles in mind and does things according to law. Given time, any opposition will eventually turn to support the government.

[Question] Democracy means popular politics. Have you had any chance to really understand public opinion -- particularly to personally encounter public opinion?

[Answer] I am very much concerned with local people's opinions. I always have a couple of chances to inspect various localities.

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CSO: 4005/787

GOVERNMENT SPOKESMAN REAFFIRMS PRESS FREEDOM

OW050415 Taipei CNA in English 0327 GMT 5 Jun 87

[Text] Taipei, 5 Jun (CNA)--After the government opens the door to the publication of new newspapers, all newspapers will be treated fairly, director-general Shaw Yu-ming of the Government Information Office said Thursday.

Shaw, who assumed his new office a month ago, said at a press conference that the government's position on opening the domestic market to newly established newspapers is to maintain the freedom of the press while allowing no newspaper to evade its social responsibility.

Shaw said that the owners of domestic newspapers met recently to discuss ways to cooperate after the government permits the licensing of new newspapers, but they failed to reach an agreement. They may meet again next week, he added.

The government will respect whatever agreement the newspaper owners may reach, the GIO chief said. Otherwise, BIO will assume responsibility for preparing guidelines for all newspapers to abide by.

Shaw emphasized that the government will fairly take care of the interests of all newspapers, be they well-established or newly emerging.

In addition, Shaw said GIO will improve its service to the press by opening for reporters a room equipped with facsimile machines, telephones and typewriters to help facilitate their news-gathering work.

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CSO: 4000/105

EXECUTIVE YUAN ON INTERNATIONAL ACTIVITIES

OW220439 Taipei CNA in English 0250 GMT 22 Jun 87

[Text] Taipei, 22 Jun (CNA)--The Executive Yuan (cabinet) stated Sunday that the nation has been active in international community as it has so far joined 690 international governmental and civilian organizations, up from 1984's figure of 666.

The Executive Yuan was replying to an interpellation by Legislator Sun Shen-chi concerning the nation's diplomatic relations with foreign countries.

In its reply, the Executive Yuan said, the Chinese Communist regime has, since 1949, striven to disrupt the Republic of China's [ROC] bilateral ties with friendly countries and has threatened the United Nations and other inter-government organizations in an attempt to deprive the nation of memberships.

In the recent years, the Peiping regime has further tried to undermine the ROC's international dignity by propagating its united front trick of "one country and two systems" and the so-called "Hong Kong formula", the Executive Yuan said.

It pointed out that the Peiping regime continues to pressure various international agencies to exclude the ROC from membership; when its efforts are unsuccessful, it attempts to force them to demand a change in the ROC's membership name in order to downgrade its status to that of a local government. Many problems of membership, name and representative status have thus arisen.

In such circumstances, it said, the government has adopted a policy of flexibility and practicability in dealing with these problems and has simultaneously aimed to actively strengthen existing bilateral ties with friendly countries, and to seek to establish relations with newly established countries through economic and technical cooperation and cultural exchanges.

Both the government and the nation's civilian bodies will continue to participate actively in international organizations, conferences and other activities so as to promote international understanding of the ROC's economic and political development, to gather further support from these organizations, and ultimately to elevate and solidify the nation's international status, the Executive Yuan said.

SIX KAOHSIUNG INCIDENT 'CONVICTS' RELEASED ON PAROLE

OW310736 Taipei CNA in English 1446 GMT 30 May 87

[Text] Taipei, 30 May (CNA)--Six Kaohsiung incident convicts, including Huang Hsin-chieh and Chang Chun-hung were released on parole Saturday, the Ministry of National Defense announced.

Dr. Hang Lih-wu, president of the Chinese Association for Human Rights, expressed appreciation for the Republic of China Government's decision to release the six prisoners, saying that their release has fully demonstrated the government's determination to further enhance social harmony and human rights.

A spokesman for the association said Dr. Hang has been very concerned about the situation of Huang and Chang, and this is why he frequently visited them while the two were serving their sentences at a military prison in suburban Taipei.

In fact, Dr. Hang was planning another visit to Huang and Chang on Saturday, but he was informed that the two were already out of jail, the spokesman said.

National policy adviser Tao Pai-chuan described the release of the six Kaohsiung incident convicts as an expression of love and leniency on the part of the government, saying this will facilitate the establishment of a more peaceful and harmonious society. He expressed the hope that Huang and Chang will from now on adopt a more rational attitude to show their concern for national affairs.

Lu Ya-li and Li Hung-hsi, two professors at National Taiwan University, were pleased with the release of Huang and Chang, saying that it will end the unhappy memories brought by the Kaohsiung incident and lay a more solid foundation for the nation's democracy and constitutional rule.

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CSO: 4000/105

TAIWAN SCHOLARS URGE PUBLISHING MAINLAND WORKS

OW070022 Beijing XINHUA Domestic Service in Chinese 0722 GMT 6 May 87

[Beijing XINHUA Domestic Service in Chinese at 1412 GMT on 6 May carries a 'public notice' canceling the following item no explanation is given]

[Text] Beijing, 6 May XINHUA--An article in Taiwan's UNITED DAILY NEWS on 4 May said: People in Taiwan's academic circles believe that the Taiwan authorities should lift the restrictions on publishing literary works of the 1930's and works written by mainland Chinese writers.

The article said: Despite restrictions imposed by the Taiwan authorities, works by writers such as Ba Jin, Lao She, Mao Dun, Bing Xin, Shen Congwen, Lu Xun, and Cao Yu have flooded the Taiwan market. Some bookstands are openly selling their books. In view of this phenomenon, Professor Li Yongchi of the Department of History of Taiwan University believes that it is about time for the authorities to lift the ban on publishing such books because most of the works were written several decades ago. We should let the next generation understand the writers' thinking as well as their observations of society at that time. If the authorities are determined to ban these works, we will be faced with difficulties in teaching while creating a "fault [duancent 2451 1461] of the times." Professor Zhang Zhonglian of the same history department points out: The authorities say the people should enjoy freedom of speech and publication. Therefore, the authorities should not restrict the publication of such works. Professor Huang Yueqin of Taiwan Cheng Chi University says: Overall restriction is unnecessary. The authorities may selectively lift the ban on publishing such works.

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LIOWANG VIEWS TAIWAN'S JUDICIAL REFORM

HK280430 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No. 21, 25 May 87
pp 22-23

[Article by Wang Peiyu (3769 0160 3768): "Why Taiwan Is Stepping Up
Judicial Reform"]

[Text] This year, Taiwan has entered the stage of so-called overall "reform." Since the Kuomintang regime's announcement of the abolition of "martial law," the release of "party files," and the lifting of the "ban on newspapers," various departments of Taiwan Province and regional organs at various levels have made frequent personnel changes in an overall effort to streamline the administration. The replacement of the "President of the Judicial Yuan" of course bears on the future of the judicial reform of Taiwan. But a more important thing is to correct the increasingly decadent judicial practices in Taiwan and establish the prestige of the judiciary.

Lin Yang-kang Appointed "President of the Judicial Yuan"

On 1 May, former vice president of the "Executive Yuan" of Taiwan Lin Yang-kang was sworn in as "President of the Judicial Yuan" arousing deep concern among people on the island and elsewhere who are interested in the Taiwan problem. Some observers consider that Lin Yang-kang, having been in the civil service in Taiwan for many years, is in the category of "men of action" who have specific character and are full of vitality. Now, with Mr Lin appointed "President of the Judicial Yuan," this will have a positive effect on judicial reform in Taiwan.

At a meeting of the Standing Committee of the Kuomintang Central Committee held on 25 February this year, Chiang Ching-kuo proposed four guidelines for judicial reform -- "strengthening the efficiency in handling cases," "improving the attitude in hearing cases," and "strengthening efforts to serve the people" -- taking a no-nonsense approach with the defects in Taiwan's judicial circles in mind. Not long after, Chiang Ching-kuo agreed to the resignation of existing "President of the Judicial Yuan," Huang Shao-kuo. The secret "contest" for the cherished post of "President of the Judicial Yuan" long underway had become an open affair.

As early as at the end of 1985, people of all factions had started contending for the post of "President of the Judicial Yuan." The present "Minister of National Defense" Wang Tao-yuan, Hong Shou-nan, vice president of the "Judicial Yuan," Li Yuan-tsu, former "Minister of Justice and Administration" [as published], and also Chien Kuo-cheng, president of the "Supreme Court," Fan Kuei-shu, secretary general of the "Judicial Yuan" and others had been in contest for more than one year. This was known in press circles on the island as the "melee among a galaxy of heroes." At last, Mr Fan gave up the contest for health reasons. Mr Chien also backed out supposedly because of his age. It was not decided who would be the winner among the three -- Mr Wang, Mr Hong or Mr Li. Not until March this year did this contest reach its zenith.

But Chiang Ching-kuo selected Lin Yang-kang, vice president of the "Executive Yuan," who hitherto had had nothing to do with judicial circles, as successor to the post of the "President of the Judicial Yuan." This move aroused a public opinion protest on the island.

Lin Yang-kang was born in Nantou, Taiwan in 1927. At the age of 14 he went to study in Japan. After the recovery of Taiwan, Mr Lin entered the Taiwan University for Higher studies. He graduated from the Politics Department of the University's Law College in 1951. In 1964, Mr Lin was promoted secretary of the Taiwan Provincial Government. In 1978, he was appointed chairman of the Province [as published]. He joined the tending Committee of the Kuomintang in 1981.

When Lin Yang-Kang was acting mayor of Taipei, chairman of Taiwan Province and "Minister of the Interior," he was known for his toughness and strong language. He offended many founders of the Kuomintang. For this reason, Chiang Ching-kuo could only confine him to the post of vice president of the "Executive Yuan."

For several years thereafter, Lin Yang-kang kept "a low profile." But at a high-level meeting of the Kuomintang not long ago, Mr Lin's luck turned for the better. It was reported that when Chiang Ching-kuo at that meeting asked Lin Yang-kang's opinion on the judicial reform, Mr Lin suggested replying in a written form. Later, Mr Lin hastily wrote a proposal entitled "Thoroughly Sort Out Judicial Practices" which he handed to Mr Chiang. Mr Chiang had high praise for it, considering that "every word hits the nail on the head and every line is realistic and practicable." Therefore, Lin Yang-kang was "internally fixed" as "President of the Judicial Yuan."

Chiang Ching-kuo selected Lin Yang-kang who was not familiar with judicial work as "President of the Judicial Yuan" instead of Wang Tao-yuan, a former student of law, who was dubbed the "top performing minister" of the "Judicial Yuan", and Hong Shao-nan, vice president of the "Judicial Yuan" and long committed to the judicial work of the "Judicial Yuan," because of a desire to accelerate the pace of judicial reform. MEIZHOU HUAQIAO RIBAO [American Overseas Chinese Daily] held that Lin Yang-kang's hardline style

would have a more positive effect on the correction of judicial defects than senile Huang Shao-ku, or soft-hearted Wang Tao-yuan. In addition, Mr Lin's being appointed "President of the Judicial Yuan" as a native of Taiwan Province can also give expression to the Taiwan regime's policy of "localization."

The Appeal of the People on the Island for Judicial Reform

Around the time Lin Yang-kang succeeded Huang Shao-ku as "President of the Judicial Yuan," the people of Taiwan made increasingly loud demands to accelerate the pace of judicial reform. Some news media on the island keenly held various forums discussing concrete measures for judicial reform, collecting public views on the judicial reform.

In Taiwan, increasingly decadent practices in judicial circles have caused enlightened people deep worries. The lack of "public confidence" in judicial work has had a direct effect on the prestige of the Taiwan regime. This has caused the government at all levels and the people to unanimously appeal to the judicial department for the adoption of effective measures to change this situation as quickly as possible.

Taiwan's judicial system belongs to the "Continent's legal system." Taiwan's judges have great powers. The fate of the accused is entirely in their hands. Therefore, the abuse of authority by incumbent judges is a frequent occurrence. On the other hand, given judges' important role in handling cases, cases of corruption and bribery often happen. The cases handled by the court are mostly civil ones. The economic position of the persons involved in civil cases often determines whether they win or not. This phenomenon of corruption is filtering into courts at various levels in an increasingly universal manner.

Another common phenomenon is that some judges in Taiwan do not follow the "schedules for trial." Lawyers often go to courts three or five times. The end result is that many cases are "tried in the absence of people concerned." In addition, court records are not kept with shorthand or with tape recordings. Testimonies are often wrongly recorded, or show omissions.

Therefore, since Lin Yang-kang was appointed "President of the Judicial Yuan," the people in Taiwan have again placed "fervent expectations" in judicial practices being straightened out and the judicial system being perfected and have expressed the "hope that the administration of justice as the last defense line in social justice can present a completely new face."

At a forum on "judicial reform" held by the CENTRAL DAILY NEWS of Taiwan, many lawyers pointed out that prosecutors often appeared in court as a matter of form and even did not show up, making it impossible for lawyers to play their role in defense. They also called for the elimination of the phenomenon of "judicial scalpers" who fool around in judicial circles. The lawyers present at the meeting appealed to judges to follow time

schedules for trials and not to do anything that infringes on the rights of the persons concerned. They stressed: In studying the formulation of draft laws, the "Judicial Yuan" and the "Legal Affairs Yuan" [fa-wu-yuan 3127 0523 7108] should invite lawyers' representatives over, in order to consolidate and perfect relevant contents.

A lawyer appealed to Taiwan's judicial personnel "to uphold the principle of fairness and justice by every means and to do away with political interference, the pressure of privileges, favoritism, and the temptation of money."

The Guideline of the Newly Appointed "President of the Judicial Yuan"

In a speech at a gathering not long after his appointment as "President of the Judicial Yuan," Lin Yang-kang said: "Sorting out judicial practices" and "maintaining the prestige of judicial circles" were the first things he would do after he took office. He considered that these matters called for immediate attention in the judicial reform of Taiwan.

In answering a reporter's question about "how to take care of judicial discipline," Lin Yang-kang said: Concerning those judicial personnel acting in defiance of the law and practicing corruption, the "Judicial Yuan" will never shield them and will definitely strictly make investigations with a no-nonsense approach to relevant matters. He said: The "Judicial Yuan" will study the formulation of various preventive measures and strengthen the responsibilities of the chief justices and associate justices of various courts.

Another concrete thing Lin Yang-kang has attempted since his assumption of office is to restructure Taiwan's existing judicial system and improve the quality of cases tried. But Mr Lin's attitude toward this matter and his concrete relevant ideas are marked with a fair amount of prudence. Conversely, on trivial matters that some people are likely to notice, he has come up with some relatively concrete reform measures. For example, touching on the two concrete ideas -- strengthening measures designed to benefit people and give them every convenience and improving working conditions for judges -- Lin Yang-kang said: The concrete measures to be firmly carried out in the former case include the following: requiring the court to follow time schedules for court sessions, improving attitudes in asking questions in handling cases, showing prudence in detaining people, shortening the time for trial, seeking speed in handling civil cases, and so forth. The concrete measures to be firmly carried out in the latter case include: Increasing the number of judges, reducing the workload in handling cases, improving the treatment of judges, studying how to improve matters of examination, promotion and transfer, and so forth.

Some enlightened people acquainted with the Taiwan problem consider that the judicial reform of Taiwan, especially the reform of the judicial system in Taiwan, will still meet with various obstacles in practice. But the existing judicial system of Taiwan is unable to meet the needs of Taiwan society which is now in the process of change. Just as in other areas of politics in Taiwan society, its reform is a matter of course. But it is hard to tell what will be the fate of this reform at its present stage.

BRIEFS

RUMOR DENIED OF PRC TAKEOVER--A rumor that ROC [Republic of China]-controlled Taiping Tao, an islet in Nansha Group or known as the Spratly islands of the South China Sea, has been taken over by Communist Chinese armed forces is "totally groundless," Military Spokesman Maj. Gen. Chang Hui-yuan said yesterday. Democratic Progressive Legislator Wu Hsu-chen said during an interpellation yesterday that rumors are circulating that Communist Chinese armed forces have taken over the islet and that the ROC's servicemen on the islet were taken captive. The lawmaker said the rumor was spread among the servicemen's families. When the families tried to verify the rumor with the Defense Ministry, they were told to keep the rumor a secret, Wu said. She said Nansha Group has been under the ROC's control over the past 40 years and the defense and foreign ministries should take effective measures to maintain the nation's sovereignty over the territory. [Text] [Taipei CHINA POST in English 28 May 87 p 12 OW] /12624

AMBASSADOR TO SWAZILAND--Taipei, 3 Jun (CNA)--The Central Standing Committee of Kuomintang Wednesday designated Cheyne H. Y. Chiu, director of the Foreign Ministry's Department of Information and Cultural Affairs, as the new ambassador of the Republic of China to the Kingdom of Swaziland. Chiu will replace Wang Fei, who has assumed his new post as political vice minister of the Foreign Ministry. Chiu, 51, of Kiangsu, is a graduate of National Chengchi University's Department of Political Science. He was formerly a vice department director at the Foreign Ministry, representative of the ROC office in Sweden, and director of the Foreign Ministry's Department of Protocol before assuming his current post. [Text] [Taipei CNA in English 0955 GMT 3 Jun 87 OW] /12624

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